ALBERTA INNOVATION AND SCIENCE

Annual Report 2004 – 2005

Ministry of Innovation and Science

- Department of Innovation and Science
- Alberta Science and Research Authority (ASRA)
  - Alberta Research Council Inc.
  - iCORE (Alberta Informatics Circle of Research Excellence) Inc.

Alberta Heritage Foundation for Medical Research

Alberta Heritage Foundation for Science and Engineering Research
(operating under the trade name Alberta Ingenuity)

Alberta Innovation and Science

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LIST OF ACRONYMS

AARI	Alberta Agricultural Research Institute
ACHRN	Alberta Consultative Health Research Network
AERI	Alberta Energy Research Institute
AFRI	Alberta Forestry Research Institute
AHFMR	Alberta Heritage Foundation for Medical Research
ARC	Alberta Research Council Inc.
ASRA	Alberta Science and Research Authority
ASRIP	Alberta Science and Research Investments Program
ASTech	Alberta Science and Technology Leadership Foundation
BSE	Bovine Spongiform Encephalopathy
CAEAL	Canadian Association of Environmental Analytical Laboratories
CANMET	Canadian Centre for Minerals and Energy Technology
CFI	Canada Foundation for Innovation
CO_2	Carbon Dioxide
DCIO	Department Chief Information Officer
GoA	Government of Alberta
HP	Hewlett-Packard
HTA	Health Technology Assessment
iCORE	Alberta Informatics Circle of Research Excellence Inc.
ICT	Information and Communications Technology
IFASA	Institute for Food and Agricultural Sciences, Alberta
IEEE	Institute of Electrical and Electronic Engineers
IMUS	Integrated Manure Utilization System
MLA	Member of the Legislative Assembly
MOU	Memorandum of Understanding
NAIT	Northern Alberta Institute of Technology
NSERC	Natural Sciences and Engineering Research Council of Canada
PTRC	Petroleum Technology Research Centre
RDA	Research Development Advisors
RHA	Regional Health Authority
SAIT	Southern Alberta Institute of Technology
SEARCH	Swift Efficient Application of Research in Community Health
SIR	Strategic Investment Reporting

SME	Small- and medium-sized enterprises
TC	Technology Commercialization
U of A	University of Alberta
U of C	University of Calgary
U of L	University of Lethbridge
WEPA	Western Economic Partnership Agreement

PUBLIC ACCOUNTS 2004 – 2005

PREFACE

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta released June 29, 2005 contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

This annual report of the Ministry of Innovation and Science contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Innovation and Science and provincial agencies for which the Minister is responsible, and**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report.**

MINISTER'S ACCOUNTABILITY STATEMENT

The Ministry's Annual Report for the year ended March 31, 2005, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at August 30, 2005 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

Victor Doerksen, F.C.G.A.
Minister of Innovation and Science

105-07676/

MESSAGE FROM THE MINISTER

It is an exciting time at Alberta Innovation and Science. The celebration of Alberta's centennial provides an excellent opportunity to reflect on our achievements as a province and look to our future. We are reaping the rewards of investments in the province's innovation system and benefiting from Alberta's debt-free status, strong economy and vision for the future.

The Ministry continues to champion "unleashing innovation," one of the four pillars of the government's 20-year strategic plan to maximize Alberta's potential in the global economy. Innovation is the key to continued prosperity and a better quality of life for Albertans and their families. This past year, the Alberta government set a 10-year target to invest up to five per cent of its annual budget to support "unleashing innovation." The Alberta government committed to enhance the endowment funds for the Alberta Heritage Foundation for Medical Research and Alberta Ingenuity (the trade name for Alberta Heritage Foundation for Science and Engineering Research). I am very pleased with the lead role our Ministry has taken to support the Alberta government's vision for the future.

Toward that end, the Ministry:

- introduced the three-year, $33 million Innovation Program to support innovative proposals developed by Alberta government departments, agencies, boards, commissions, Crown corporations and their partners.
- provided leadership to create and launch EnergyINet, a national network to address economic and environmental challenges related to energy production and use.
- announced a $38-million government initiative to conduct research into prions, a type of protein that, when misfolded, has been linked to diseases such as BSE. The Alberta Prion Science Initiative, being led by Alberta Ingenuity, will coordinate provincial prion research with national and international efforts.
- signed investment agreements with multinational high tech companies. A mission to California was especially fruitful: Alberta signed agreements with Hewlett Packard, IBM, Microsoft and Sun Microsystems to partner on a number of significant technology projects. The agreements also include partnerships with Alberta universities and colleges to enhance technology development and training.

I thank Ministry staff and the team of advisors at the Alberta Science and Research Authority, its Institutes and supporting organizations for their hard work, vision and enthusiasm. I also thank our industry partners, who make important contributions to the strong team effort needed to foster innovation and build a knowledge-based economy. Alberta is committed to forging strong partnerships and increasing collaboration between industry, government and learning institutions to expand innovation and international co-operation. As Albertans, we are fortunate — we are already imagining our future and the places innovation will take us in the next 100 years!

Victor Doerksen, F.C.G.A.
Minister of Innovation and Science

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

The Ministry of Innovation and Science includes:

Department of Innovation and Science
Alberta Science and Research Authority and its wholly owned subsidiaries:

- Alberta Research Council Inc. and
- iCORE Inc.

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Innovation and Science. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control, which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under Ministry administration,
- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Innovation and Science any information needed to fulfill their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act.*

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

Bob Fessenden
Deputy Minister
August 30, 2005

OVERVIEW

VISION

Alberta prospers through the application of science, research and the innovative use of technology.

CORE BUSINESSES

The Ministry 2004 – 2007 business plan lists two core businesses — research and innovation, and corporate information and communications technology.

This annual report includes only information on the core business of research and innovation. The annual report for the Ministry of Restructuring and Government Efficiency contains information on the core business of corporate information and communications technology (reflecting the government-wide reorganization, and subsequent transfer of responsibilities, in the fall of 2004).

Ministry activities contribute to "Unleashing Innovation," a key area of opportunity identified in *Today's Opportunities, Tomorrow's Promise*, the government's 20-year strategic plan. Activities in 2004 – 2005 helped the Government of Alberta meet its goals and targets for:

- economic prosperity;
- effective and sustainable infrastructure; and
- lifelong learning and work.

KEY ACCOMPLISHMENTS IN 2004 – 2005

The Minister of Innovation and Science is responsible for the administration of legislation relating to the Alberta Heritage Foundation for Medical Research and Alberta Ingenuity. The key accomplishments of these foundations are included in the section of this report titled "Information on Alberta Heritage Foundations."

In 2004 – 2005, Innovation and Science continued to pursue activities, strategic investments and innovative partnerships to help strengthen Alberta's innovation capacity and ability to compete in the global, knowledge-based economy.

- The Alberta Energy Research Institute (AERI) worked with industry, the federal government and other provincial governments to create EnergyINet, a fully integrated, collaborative energy technology and innovation network across Canada. EnergyINet aims to ensure a competitive Canadian energy supply to maintain the Canadian economic advantage while ensuring environmental protection and to position Alberta and Canada at the forefront of integration between energy systems.
- Innovation and Science announced a $38 million government initiative to conduct research into prions, a type of protein that, when misfolded, has been linked to BSE and other diseases. The Alberta Prion Science Initiative, being led by Alberta Ingenuity, will coordinate provincial prion research with national and international efforts.
- The Alberta Agricultural Research Institute (AARI) played a key role in establishing the strategic research priorities for the Institute

for Food and Agricultural Sciences, Alberta. The new institute will pool resources, staff and facilities, valued at over $750 million, to significantly accelerate agricultural innovation.

- The Alberta Research Council (ARC) began construction of an agriculture fibre pilot processing facility, to support the growth and development of an agricultural bio-products industry in Alberta.
- ARC, in partnership with Highmark Renewables and with support from AARI, commissioned the Integrated Manure Utilization System (IMUS) at one of Canada's largest feedlot operations. The system applies a variety of technologies to turn manure into electricity and bio-fertilizer.
- The Alberta Forestry Research Institute (AFRI) developed a strategic business plan, endorsed by the Alberta Science and Research Authority (ASRA), that sets the strategic direction for forestry research investments in Alberta. The plan focuses on sustainable forest management, enhancing and diversifying the value chain and developing new products and processes.
- The Alberta Informatics Circle of Research Excellence (iCORE) continued to support world-class information and communications technology (ICT) researchers in Alberta.
    - A new iCORE/NSERC/Syncrude/Makitron Industrial Research chair was established at the University of Alberta (U of A), to use ICT to remotely monitor and improve the performance of oilsands operations.
    - Two new iCORE Industrial Research Chairs in virtual reality were established at the U of A and the University of Calgary (U of C). Research will focus on technology that can be used in a variety of areas including designing engineering prototypes, testing medical devices and conducting scientific research.
- Partnerships with multinational companies will support joint projects in research and commercialization.
    - Centres of Excellence established at the Northern Alberta Institute of Technology (NAIT) and the Southern Alberta Institute of Technology (SAIT) in collaboration with Microsoft will help small- and medium-sized enterprises (SMEs) to model operations and to improve business practices.
    - An IBM Centre for Advanced Studies at the U of A will look at machine intelligence, nanotechnology and biological simulation.
    - MuDoc software being developed by the U of A in collaboration with Sun Microsystems will improve researcher and public access to the university's vast folk music collection.
- Seventeen innovative projects were awarded over $10 million in funding from the new Innovation Program, including:
    - a Hydrogen Demonstration Project that explores the use of hydrogen fuel cell technology as an energy source for new residential development in Strathcona County;
    - a comprehensive web-based software program to help municipalities manage human resources, payroll, taxation, utilities, licenses, permits and bylaw enforcement.
- Seventeen research projects received $23 million in Alberta Science and Research Investments Program (ASRIP) funding. The projects are based at the universities of Alberta, Calgary and Lethbridge and include an agriculture genomics centre, an innovative medical robot system for microsurgery and a brain and behaviour imaging facility.

HIGHLIGHTS

Performance Measures

- Alberta's research system remains strong, as demonstrated by a remarkably high level of research funding at Alberta universities — $584 million in 2003 – 2004, well above the $460 million target for 2003 – 2004 and the $492 million target for 2004 – 2005.
- Innovation and Science investments leveraged significant investment from other funding partners in the areas of energy, ICT and life sciences research:
  - Every dollar invested in energy research investment leveraged $3.34 from other funding partners.
  - Every dollar invested in ICT research leveraged $1.89 from other funding partners.
  - Every dollar invested in life sciences research leveraged $3.14 from other funding partners.
- iCORE surpassed targets for attracting and retaining high calibre research chairs and graduate students. Four new research chairs were awarded in 2004 – 2005, bringing the total active research chairs funded by iCORE to 21. There were 102 new awards to graduate students in 2004 – 2005. Currently, iCORE supports 175 active graduate students, sixty-seven per cent of whom have stated that they intend to stay in Alberta after graduation.

Financial Performance

Spending was within approved targets and directed to the Ministry's core businesses. **Expenses** for the Ministry totaled $192.1 million for 2004 – 2005. Significant programs within Innovation and Science include:

- $59.6 million for Alberta Research Council Inc.;
- $38.0 million for prion research;
- $37.8 million for modern equipment to support leading-edge research;
- $14.7 million for energy research;
- $10.2 million for iCORE Inc. to build research capability in ICT;
- $8.6 million for agricultural research;
- $6.6 million to facilitate technology commercialization;
- $1.6 million for forestry research;

Equipment and Inventory Purchases for the Ministry totaled $4.9 million for 2004 – 2005 for ARC (e.g., research equipment and building).

SUMMARY OF KEY ACTIVITIES IN THE PAST YEAR

Goal 1: Build the Capability and Capacity of Alberta's Research System

Research Capability and Capacity

Basic research is the foundation of the innovation system — the source of ideas and highly skilled people. A critical element in building research excellence is access to leading edge equipment.

- Innovation and Science directed almost $23 million to 17 priority research initiatives across the province through the Alberta Science and Research Investments Program (ASRIP). Projects include:
  - An agriculture genomics centre at the University of Alberta, with sophisticated equipment enabling researchers to study genes and proteins that impact animals.
  - An innovative medical robot system at the University of Calgary, allowing researchers to

improve human-guided robot microsurgery techniques and test new surgical procedures.

  - A brain and behaviour imaging facility at the University of Lethbridge, providing state-of-the-art equipment to study brain activity and neurological disorders such as stroke and Parkinson's disease.

- Thirty researchers in the priority areas of energy, ICT and life sciences received nearly $4.0 million in small equipment support.

Science Awareness and Promotion

- ASRA sponsored province-wide science and technology activities, organizations and targeted youth science initiatives, such as the Science Alberta Foundation, science fairs, Explore IT, youth robotics competitions and the Alberta Science and Technology (ASTech) Leadership Foundation Awards.
- The Ministry partnered with Global Television, Western Economic Diversification Canada, and the ASTech Awards to develop *Alberta Innovation 2004*, the fourth annual documentary celebrating innovative Albertans and the scientific contributions that are improving people's lives around the world.
- Events and activities in Science and Technology Week 2004 recognized science and technology achievements and contributions to our quality of life and promoted related careers to young Albertans.
- In conjunction with Science and Technology Week, every school in the province received calendars produced by Innovation and Science with support from the private sector and various institutions. The 2005 calendar paired renowned Alberta researchers and innovators with the scientists of tomorrow. National and international demand for the calendar was remarkable — the Ministry received an unprecedented 10,000 orders for the 2005 edition in the first six days of availability.
- Innovation and Science provided support to "Innovation 2005," a centennial project recognizing the history of innovation in Alberta. The Science Alberta Foundation and the Association of Professional Engineers, Geologists and Geophysicists of Alberta led the project in partnership with organizations committed to science awareness and promotion.

Goal 2: Build the Capability and Capacity Needed to Support an Innovative and Globally Competitive Energy Sector

Innovation and Science, through the Alberta Energy Research Institute (AERI), helped launch the Energy Innovation Network (EnergyINet). The cross-Canada network is led by champions from both the public and private sectors working together to advance energy innovation. AERI also identified six energy innovation program areas, including alternate and renewable energy, bitumen upgrading, carbon dioxide management, clean carbon/coal, improved recovery and water management.

Did you know

…you can find science in a crate? Through Alberta Innovation and Science's support, the Alberta Science Foundation provides teachers, librarians and community groups with hands-on science activities on a wide range of topics through its Science-in-a-Crate program.

Alternate & Renewable Energy

Efforts focus on new technologies in areas such as hydrogen fuel cells, bioenergy and geothermal energy.

- The first commercially operated high-voltage fuel cell demonstration project in Canada was officially opened in October 2004 at NAIT.
- Working with the U of A, the U of C and the ARC, AERI provided funding to launch the Western Canada Fuel Cell Initiative, a program to develop fuel cell systems that can handle non-purified hydrogen from industrial sources. Western Economic Diversification also provided funding under the Western Economic Partnership Agreement (WEPA).
- AERI is working with industry to develop a demonstration project using geothermal energy as a source of heat to improve recovery of bitumen from oilsands reservoirs.

Bitumen Upgrading

Research can help ensure synthetic crude produced from the oil sands meets quality specifications of North American refineries and increase the efficiency of upgrading operations, decreasing energy intensity and reducing greenhouse gas emissions.

- AERI organized a series of workshops to determine what needs to be done to establish an integrated polygeneration complex in Alberta by 2020. Polygeneration refers to production of multiple products from multiple feedstocks.
- AERI led an investigation of the feasibility of building a hydrocarbon upgrading demonstration and test facility in the province. The facility would allow large-scale demonstration of new technologies and support training by providing practical, hands-on experience.
- AERI funded four projects on the development of novel catalysts, including a cooperative program between the U of C and the University of Stuttgart.

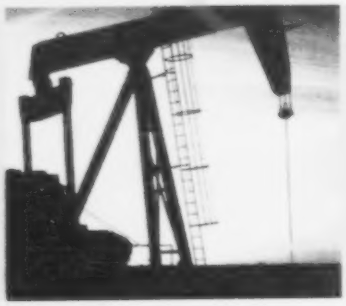
Carbon Dioxide (CO_2) Management

CO_2 capture and storage is an option for reducing greenhouse gases and provides new opportunities for large-scale production of hydrogen without CO_2 emissions.

- AERI, working with ARC, Natural Resources Canada and Alberta Environment, sponsored the Canadian CO_2 Capture and Geological Storage Roadmap Workshop, involving 100 experts from industry and government. The roadmap outlines the future technology needed to enable the concept of a Canadian "CO_2 Backbone" to transport CO_2 from large single emitters (such as oil sands and coal-fired power plants) to operations that can use the CO_2 for energy production (enhanced oil and gas recovery) and storage.
- AERI supported a number of Canadian projects, such as the CANMET CO_2 Consortium, the North American CO_2 Test Centre in Regina and the PTRC Weyburn CO_2 monitoring project in Saskatchewan.

did you know . . .

…that innovation takes commitment, time and money? Since 1976, the Alberta government has invested approximately $650 million in oil sands research programs. Today's massive oil sands development is possible thanks, in part, to this investment.



- AERI and Western Economic Diversification funded the development of a CO_2 monitoring program at one of the four CO_2 enhanced oil recovery projects initiated in 2004 by Penn West. Several projects to develop monitoring tools and ensure safe and secure long-term storage of CO_2 are underway.

Clean Coal/Carbon

Activity focuses on adapting and demonstrating current technology to burn coal and other heavier hydrocarbons, with minimal environmental impact, to produce energy and co-produce steam, hydrogen, synthetic natural gas and chemicals, and on exploring integration opportunities with oil sands and petrochemical industries.

- Phase 2 of the Canadian Clean Power Coalition Program, evaluating technologies to produce clean electric power and hydrogen from Western Canadian coals and other low-grade fuels, proceeded with AERI support. The program developed business cases for technical innovations to replace natural gas as a source of heat and hydrogen for oil sands plants and to use the CO_2 produced for enhanced oil recovery.
- AERI worked with two companies to evaluate technologies for cleaning and gasifying Western coals and coal/coke mixtures. The intent is to transfer the best clean power technologies to Alberta and demonstrate commercial feasibility with local feedstocks.

- AERI and the City of Edmonton are exploring the feasibility of using municipal solid waste to produce clean power.

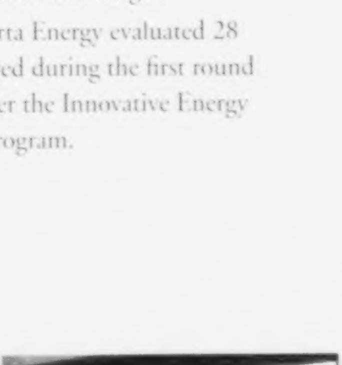
Improved Recovery

Research is examining how to recover more conventional oil and unconventional oil and gas resources (such as bitumen and natural gas from coal beds) in an environmentally responsible way.

- AERI funded a study by the Petroleum Technology Alliance of Canada to identify and explore ways to overcome barriers to the use of environmental technologies in the Alberta oil and gas sector.
- AERI participated in an industry-led consortium to set up a high-pressure, high-temperature pump testing facility at the Centre for Frontier Engineering Research in Edmonton.
- AERI participated in a study, involving 20 companies, the federal government and several other provincial governments, to identify the best technologies for the incremental recovery of five billion barrels of conventional oil and 25 trillion cubic feet of natural gas.
- AERI and Alberta Energy evaluated 28 proposals received during the first round of funding under the Innovative Energy Technologies Program.

did you know . . .

…technology once considered science fiction is now a reality right here in Alberta? iCORE chair Dr. Pierre Boulanger is improving virtual reality technology that allows individuals around the world to communicate as if they are in the same laboratory. These collaborative virtual environments are formed by linking multimedia facilities through high-speed networks. Visit www.icore.ca for more information.



Water Management

This innovation program area focuses on managing water use in the energy industry and implementing cost-effective systems to reuse and recycle water.

- AERI completed a study of the energy industry's water use, identifying industry and government needs and priorities in reducing freshwater use.
- The institute developed and provided support to initiate a water-sampling project to determine the characteristics of water co-produced with natural gas from coal beds. The study will provide baseline information to assess changes in water quality caused by producing natural gas from coal beds.

Goal 3: Build the Capability and Capacity Needed to Support an Innovative and Globally Competitive ICT Sector

- In 2004-05, iCORE continued to attract and retain world-class ICT researchers.
    - Through iCORE Inc., the Ministry supported 21 research chairs and professors who, in turn, supported teams of over 80 additional faculty and 500 graduate students. Specifically, iCORE supported eight Chairs, seven Professors and six Industry Chairs in a broad spectrum of research. Clusters include networks and wireless, intelligent software systems, human and computer interfaces, and nanoscale and quantum informatics.
    - Alberta attracted 18.5 per cent of Canada's best graduate students in Computer Science and Electrical and Computer Engineering.
    - iCORE hosted the first annual Banff Informatics Summit. This event brought together several hundred professors, scientists, post-doctoral fellows and students from research teams in Alberta and around the world, to foster excellence and interaction.
- The Minister introduced legislation to establish an Alberta Information and Communications Technology Institute to guide research and innovation in ICT.

Goal 4: Build the Capacity and Capability Needed to Support an Innovative and Globally Competitive Life Sciences Sector

Life Sciences

- The Ministry established the $38 million Alberta Prion Science Initiative to coordinate provincial prion research with national and international efforts, reflecting Government's commitment to finding a science-based solution to bovine spongiform encephalopathy (BSE) and related diseases. AARI and the Alberta Committee for Life Sciences Innovation coordinated a technical working group that produced *Strategic R&D priorities – BSE Inactivation and Management of Specified Risk Material*. This document outlines the science, technology commercialization and economic aspects of inactivating potentially infective BSE materials through industry-driven solutions.

did you know . . .

…an award-winning researcher at the U of A has discovered a quick and reliable way to detect parasites in drinking water? Funded in part by the Government of Alberta, Dr. Miodrag (Mike) Belosevic decided not to patent his discovery, so that all nations can use the technology to give their citizens access to clean and safe water.

- Innovation and Science, through efforts led by AARI, developed a draft Bio-energy Strategy to bring together industry and government stakeholders to support a coordinated provincial approach in this area.
- ARC and Highmark Renewables, with support from AARI, jointly commissioned the Integrated Manure Utilization System (IMUS), a pilot plant to turn manure into useable energy and fertilizer. The pilot plant, at Highland Feeders, one of Canada's largest feedlot operations, will generate enough electricity from beef feedlot manure to serve a town of 5,000. The technology exploits the energy, bio-fertilizer and irrigable water potential of manure, while reducing greenhouse gas emissions and other environmental impacts of land application of manure. This project is a significant development in the field of renewable resource technologies using biomass sources such as manure, food-processing waste, livestock mortalities, rendering materials and municipal wastes.
- ASRA provided $1 million to support the establishment of two endowed research chairs in patient health management at the U of A. The two researchers will explore ways to improve patient health care and ultimately reduce costs.
- The Minister introduced legislation to establish an Alberta Life Sciences Institute to guide research and innovation in life sciences.
- Innovation and Science contributed to a new $2.6 million Magnetic Resonance and Diagnostic Centre at the U of A. The centre is a public-private partnership between Chenomx (an Edmonton-based U of A spin off company), Varian NMR Systems of Palo Alto, California and U of A scientists and physicians. Unique in North America, the Magnetic Resonance and Diagnostic Centre will further develop and commercialize a non-invasive diagnosis platform for a number of diseases. It could potentially save Alberta's health care system millions of dollars through a simple, cost effective diagnostic test.
- ARC's Environmental Monitoring business unit joined forces with the Canadian Association of Environmental Analytical Laboratories (CAEAL) in a winning bid to conduct tests for Alberta Environment to ensure that all water and wastewater facilities in Alberta are up to standard. ARC and CAEAL will carry out proficiency testing on about 700 municipal and industrial laboratories that conduct drinking water and wastewater testing and analysis, to assess how well each laboratory is performing against objective standards and how its results compare with other laboratories. Proficiency testing will raise consumer confidence in Alberta's ability to deliver safe drinking water.
- The U of C is leading a project to map genomic and medical information. This project will allow researchers to use powerful computing systems to create visual maps of information about diseases that have a genetic component, such as cancer, diabetes and Alzheimer's. Using a virtual reality environment called the CAVE, researchers will integrate a high-resolution digital atlas of the male human body, which is

did you know

…that an Alberta innovation created a product that's worth over $1 billion each year? Aspen, the most abundant hardwood species in Alberta, is used to make oriented strand board (OSB), also known as wood paneling. The Alberta Government contributed to the growth of this industry through its investment of about $8.6 million over the past 20 years. In 2004, Alberta's OSB industry shipped over $1.2 billion in product.

currently being developed, with medical data related to specific diseases. Innovation and Science provided the provincial support for this project, which is funded under WEPA.

- ASRA became a member of the Alberta Water Council, a partnership between government and stakeholders with a vested interest in water issues. ASRA participation supports the research focus of the *Water for Life* strategy.

Bio-products Research

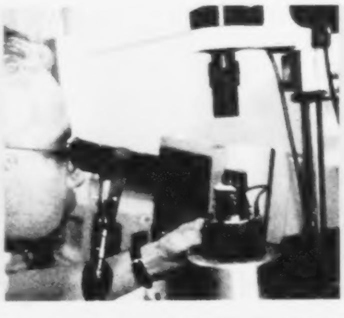
- ARC began construction of an Agriculture Fibre Pilot Processing Facility, to support the growth and development of an agricultural bio-products industry in Alberta. The initial focus will be on enhancing agri-fibre based products, such as paper, fibreboard and plastic composite materials, to improve product performance, value and commercial potential.
- AARI and the Life Sciences Division established a Bio-Products Collaborative Working Group to develop a shared perspective on the bio-economy and to pull together collective knowledge and infrastructure on bio-product projects and programs.

Agricultural Research

- The Institute for Food and Agricultural Sciences, Alberta established and developed research programs in seven areas: livestock genomics; health and wellness products; bio-products; food, food ingredients and fermentation products; livestock feed; environment and nutrient management; and meats. A Chief Executive Officer and Board of Directors were put in place.
- AARI completed work to establish the Alberta Oils and Lipids Utilization Centre. The centre is a $6.5 million dollar initiative, including over $2 million from the private sector, focused on using oils and lipids derived from crops and livestock for human health products, industrial applications and food.
- Innovation and Science, through AARI, developed and co-funded a $13 million initiative to further grow value-added product development in Alberta's poultry industry.
- Innovation and Science, through AARI, co-funded the incorporation and launch of BioProducts Alberta, a private sector industry champion that will help to attract private sector investment in Alberta's bio-products industry.
- AARI coordinated the Agriculture Funding Consortium, which consisted of 14 organizations, including many private sector entities. The Consortium co-operatively invested about $20 million in 2004 – 2005 in agriculture-related research and development.
- The Government of Alberta, U of A, and Agriculture and Agri-Food Canada signed a Bovine Genomics agreement to establish the Livestock Genomics Centre at the university. The centre will have a world-class research and development team focused on applying genomics for the economic benefit and growth of Alberta's livestock production and value-added sectors.

did you know . . .

…Dr. Robert Burrell at the U of A developed what is believed to be the world's first commercial and medical application of nanotechnology? Bandages coated with silver nano particles have anti-microbial and anti-inflammatory properties that help speed healing, and have saved the lives and limbs of patients around the world.



- Innovation and Science established the Alberta Fibre Network, a consortium of companies, research and development providers and funders, to promote the use of agricultural and forestry fibre in new products and businesses.

Forestry Research

- The Minister presented the AFRI strategic Business Plan to the Standing Policy Committee on Education and Employment.
- Innovation and Science initiated two new programs, Bio-energy and Forest Productivity.
- AFRI partnered with industry, academia and government departments to deliver research workshops on bio-products development, reclamation and reforestation of forestlands, and advanced silviculture.
- AFRI led collaboration among AARI, AERI and others to develop a demonstration project on the use of biomass for combined heat and power generation.
- Innovation and Science, through AFRI, collaborated with Sustainable Resource Development and Forintek Canada Corporation to develop and support the Alberta-Forintek Alliance. The alliance is one of Alberta's WEPA activities.

Goal 5: Build the Capacity and Capability Needed to Support an Innovative and Globally Competitive Economy in Alberta

High Quality People

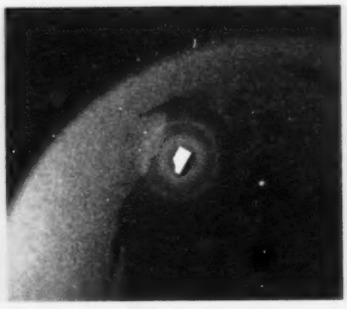
- Under the Alberta Provincial Nominee Program, Innovation and Science sponsored 67 individuals to work in Alberta's high technology sector.

Business Growth and Investment Attraction

- Alberta Innovation and Investment Week helped Alberta high-tech companies find mentoring opportunities, investment dollars and expanded markets. One Alberta company hired an experienced, California-based CEO. Another raised funds from a U.S. "angel" investor and was introduced to an American venture capital investor. The Banff Venture Forum hosted a record number (17) of American venture capital investors.
- During his mission to Asia, the Premier signed agreements on science and technology co-operation with key international partners, including:
  - a letter of intent on research and development co-operation with the Government of the Province of Heilongjiang, China. The goal is to promote opportunities for joint research and development that contribute to science and technology development in Heilongjiang and Alberta.

did you know . . .

…Alberta is a destination of choice for world-renowned researchers? Dr. John Remmers, a top researcher working on developing new treatments for sleep disorders, chose Alberta as the location to do his research. He credits Alberta's support for innovation and commercialization of new technologies as the driving force behind his decision to work here.



- a Memorandum of Understanding (MOU) on science and technology co-operation with the China's Ministry of Science and Technology. The MOU identifies seven areas for co-operation, ranging from information and communications technology to energy and engineering.
- a letter of intent with the Republic of Korea's Ministry of Science and Technology. The letter of intent outlines several ways in which Korea and Alberta will work together on common areas of interest in science and technology research and development, including energy, nanotechnology, biotechnology and other innovative technologies.

Technology Development and Commercialization

- ARC led cross-Canada workshops to determine the need for and feasibility of creating a national collaborative network, to be called I-CAN. The network would consist of applied research and development organizations and provide specialized facilities and expertise in prototyping, product development and commercialization to help improve the performance of SMEs. The Saskatchewan Research Council, Manitoba's Industrial Technology Centre, the New Brunswick Productivity Council and Quebec's Centre de Recherche Industrielle joined ARC as founding members and are pursuing funding to launch the initiative.
- ARC filed 27 patent applications (25 ARC, two AERI and ASRA) and had 27 patents issued (16 ARC, nine AERI and ASRA and two C-FER Technologies).
- ARC generated royalties and licensing fees of $4.0 million and provided $37 million in contract research and development services to the private sector and other external customers.
- The Alberta Chamber of Resources awarded the Major Reclamation Award to ARC's Native Plant Development Team, recognizing their efforts to help Alberta's industries lead the way in the use of native plants for land reclamation and habitat restoration.
- In response to industry demand, Innovation and Science presented the Innovation Series of seminars to help increase the commercialization and use of new technology by Alberta firms. Four hundred participants attended the seven seminars.

Supporting Applied Research and Commercialization

- Innovation and Science partnered with Microsoft Corp. to support the establishment of two Centres of Excellence, at NAIT and SAIT, to enable small- to medium-sized Alberta manufacturers to model and simulate their current operations and collaborate with industry experts to improve their business practices.
- The Ministry partnered with IBM and the U of A to support the creation of an IBM Centre for Advanced Studies at the university. The centre will allow Alberta students to

did you know . . .

...Alberta Innovation and Science produces a calendar that is in demand all over the world? The calendar promotes science awareness and highlights Alberta science programs, researchers and students. Requests for the calendar have come from as far away as Argentina, Kyrgyzstan and Saudi Arabia. Visit www.scitechweek.gov.ab.ca

2005
CALENDAR

interact with the world-class industry-focused talent at IBM, access leading-edge technology and participate in worldwide collaborative opportunities. Initially, projects will explore machine intelligence, nanotechnology and biological simulation.

- The Ministry signed an agreement with Hewlett Packard (HP) that will create a framework for the development of unique international research opportunities between HP Labs and Alberta institutions. As part of this framework, the Banff Centre also signed an MOU with HP expressing its intention to formalize a two-year research collaboration between the Centre's Banff New Media Institute and HP Labs.
- Innovation and Science collaborated with Sun Microsystems and the U of A to support the creation of one of the world's largest folk music repositories at the university. This collaboration will create a web-based research facility for scholars, as well as access for the public, while respecting copyright and access requirements.

Encouraging Innovation

- Innovation and Science awarded $10.5 million to 17 projects undertaken by various Government of Alberta departments through the three-year, $33 million Innovation Program. These projects have the potential to enhance government service excellence or accelerate the adoption and application of innovations in Alberta. Examples of funded projects include:
    - The Distance Service Delivery Project. The project provides video conferencing interview services to children and families in rural and Aboriginal communities, allowing them to access case management professionals in their own communities and significantly reducing travel costs for clients and professionals.
    - The Residential Solar District Heating Technology Demonstration project. The town of Okotoks, in collaboration with other partners, will support development of a 52-home subdivision that will collect and store solar energy during the summer for use during the winter.

Legislative and Policy Changes

- The Government of Alberta, through an amendment to the Designation and Transfer of Responsibility Regulation, transferred responsibility for the Electronic Transactions Act from the Minister of Innovation and Science to the Minister of Restructuring and Government Efficiency and the Minister of Government Services.
- An Order in Council approved the transfer of shares for iCORE Inc. and ARC Inc. from the Alberta Science and Research Authority to the Crown effective April 1, 2005.

Cross-Ministry Initiatives

Through cross-Ministry initiatives, Innovation and Science works with other Ministries to ensure that programs and services align with the government-wide agenda and meet the priority needs of Albertans without overlap, duplication or contradictory policies. In 2004 – 2005, Ministry activities supported key objectives in a number of cross-Ministry initiatives:

Alberta Children and Youth Initiative

- Innovation and Science provided funding to Alberta Junior Achievement.
- Innovation and Science developed technology-based entrepreneurship initiatives to support youth in Peace River, Canmore and Medicine Hat. The initiatives included developing a website and training materials and provided

awards to winning youth projects, to encourage technology-based entrepreneurship as a career alternative. The department will use pilot results to assess the potential for a province-wide program in the future.

- Innovation and Science hosted Science and Technology Week. Activities recognized achievements in the area, promoted the importance of science and technology in contributing to our quality of life, and encouraged youth to consider related careers. The Ministry also supported several science awareness and promotion programs including the Science Alberta Foundation and SCIberMENTOR.

Economic Development Strategy

- Innovation and Science continued to participate in sector team initiatives and Trade Team Alberta, working with regional economic development agencies and other support organizations on collaborative projects and networking to support emerging industries.
- The Ministry participated on rural and regional development cross-departmental committees on key initiatives, including program and project development efforts in Peace River, Medicine Hat and Lethbridge.
- Innovation and Science worked with Alberta Economic Development, Alberta International and Intergovernmental Relations and other departments on incoming and outgoing science and technology missions, to promote the Alberta Advantage globally and to support initiatives that advance technology commercialization and adoption in the value-added sectors.
- ASRA completed and approved a technology commercialization and adoption framework. The department successfully engaged other departments (Economic Development, Finance, Revenue and Agriculture, Food and Rural Development) in development and approval of Accelerating Innovation in Alberta, a medium-term strategy to guide overall innovation implementation.

Health Sustainability Initiative

- Innovation and Science coordinates meetings of the Government of Alberta Technology and Research Advisory Committee. The committee discusses health, social and natural sciences research and development.
- Of the 17 projects approved in the 2003 – 2004 ASRIP competition, 13 were in Life Sciences. ASRIP competitions take place every two years.
- The $38 million Alberta Prion Science Initiative will coordinate provincial prion research with national and international efforts. This initiative will increase Alberta's science capacity relevant to prions and how misfolded proteins cause diseases that affect both humans and animals.

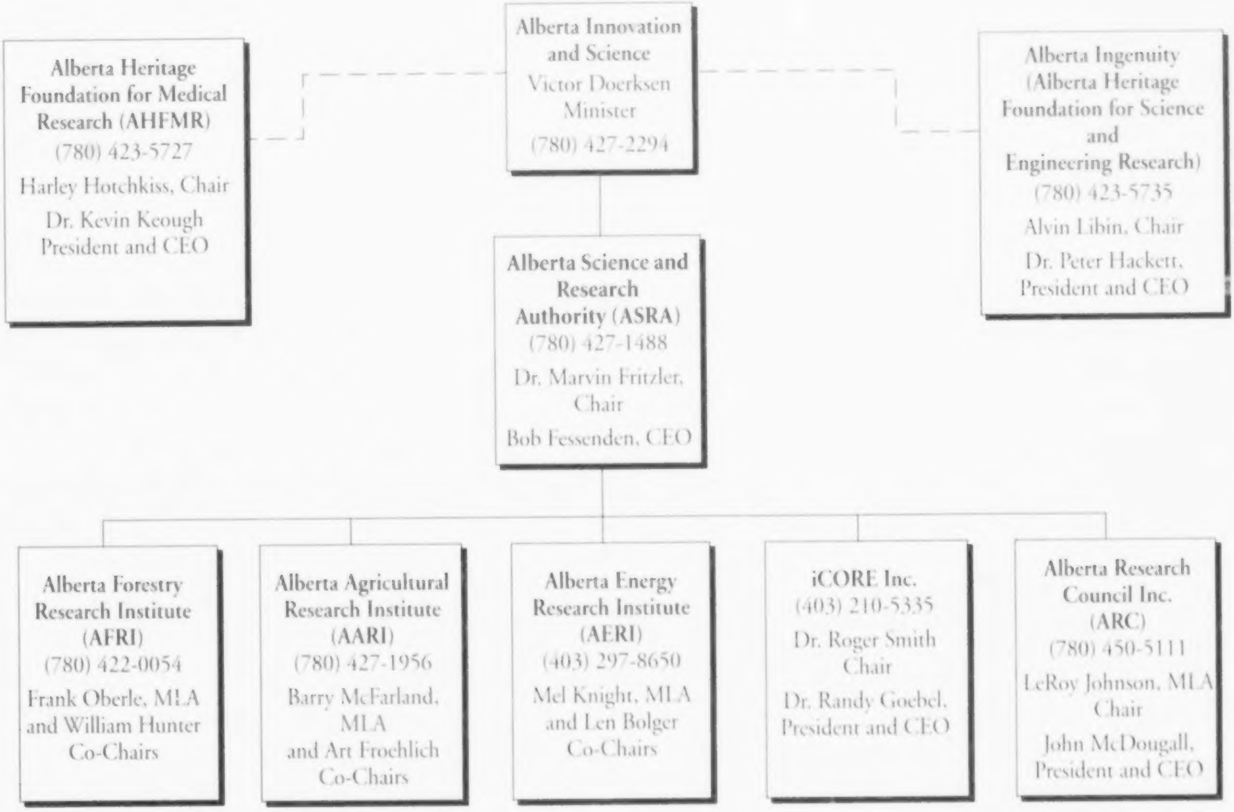
OPERATIONAL OVERVIEW

Government Reorganization

The Ministry of Innovation and Science underwent structural changes following a government-wide reorganization in the fall of 2004. Among the most significant changes were the transfer of functions and activities related to the Office of the Corporate Chief Information Officer to the new Ministry of Reorganization and Government Efficiency and the appointment of a new Deputy Minister. The charts and descriptions in this overview reflect the Ministry structure as at March 31, 2005, following the reorganization.

Overview of Key Boards and Agencies:

Key Boards and Agencies
(as at March 31, 2005)



Alberta Innovation and Science
Victor Doerksen
Minister
(780) 427-2294
Alberta Heritage Foundation for Medical Research (AHFMR)
(780) 423-5727
Harley Hotchkiss, Chair
Dr. Kevin Keough
President and CEO
Alberta Ingenuity (Alberta Heritage Foundation for Science and Engineering Research)
(780) 423-5735
Alvin Libin, Chair
Dr. Peter Hackett, President and CEO
Alberta Science and Research Authority (ASRA)
(780) 427-1488
Dr. Marvin Fritzler, Chair
Bob Fessenden, CEO
Alberta Forestry Research Institute (AFRI)
(780) 422-0054
Frank Oberle, MLA and William Hunter
Co-Chairs
Alberta Agricultural Research Institute (AARI)
(780) 427-1956
Barry McFarland, MLA
and Art Froehlich
Co-Chairs
Alberta Energy Research Institute (AERI)
(403) 297-8650
Mel Knight, MLA and Len Bolger
Co-Chairs
iCORE Inc.
(403) 210-5335
Dr. Roger Smith
Chair
Dr. Randy Goebel, President and CEO
Alberta Research Council Inc. (ARC)
(780) 450-5111
LeRoy Johnson, MLA
Chair
John McDougall, President and CEO

Alberta Science and Research Authority (ASRA)

ASRA is a provincial corporation comprised of members of Alberta's academic, business and research communities, appointed by provincial Cabinet. ASRA's mission is to enhance the contribution of science and research to the sustainable prosperity and quality of life of all Albertans. In order to fulfill this mission, ASRA functions as the senior science and research advisory body to the Government of Alberta. ASRA includes:

- Alberta Agricultural Research Institute (AARI);
- Alberta Energy Research Institute (AERI);
- Alberta Forestry Research Institute (AFRI);
- Alberta Research Council Inc. (ARC); and
- Alberta Informatics Circle of Research Excellence Inc. (iCORE).

Alberta Agricultural Research Institute (AARI)

AARI is an unincorporated board comprised of representatives from industry, academia and government. It provides strategic direction in agricultural production and value-added products research and development, and coordinates investment in agricultural research and development for the province.

Alberta Energy Research Institute (AERI)

AERI is an unincorporated board comprised of representatives from industry, academia and government. It provides strategic direction to position Alberta for the future in energy development and invests in research and technology to enhance sustainable development of the province's abundant energy resources.

Alberta Forestry Research Institute (AFRI)

AFRI is an unincorporated board comprised of representatives from industry, academia and government. It provides strategic direction for, and encourages and supports private and public investment in, the economic, environmental, ecological and community sustainability of Alberta's forestry sector.

Alberta Research Council Inc. (ARC)

ARC is a not-for-profit corporation and a wholly-owned subsidiary of ASRA, governed by a Board of Directors that includes representatives from the business and research communities in Alberta. ARC delivers innovative science and technology solutions to meet the priorities of industry and government in Alberta and beyond. Integrated multi-disciplinary teams help customers and partners take technologies from the laboratory to the field, strengthening their competitiveness and sustainability. ARC accelerates the development and commercialization of products, processes and services in the energy, life sciences, agriculture, environment, forestry and manufacturing sectors.

Alberta Informatics Circle of Research Excellence Inc. (iCORE)

iCORE is a not-for-profit corporation and a wholly-owned subsidiary of ASRA. iCORE is part of the Government of Alberta's strategy to develop the knowledge-based economy of the province by attracting world-class ICT researchers and students to Alberta. In this way, it enhances the capabilities and capacity of universities and industry, and contributes to increasing Alberta's global competitiveness in ICT and other sectors. iCORE invests in people who are driven to solve fundamental and applied problems in information technology, creating a critical mass of research leaders focused on improving our future.

Alberta Heritage Foundation for Medical Research (AHFMR)

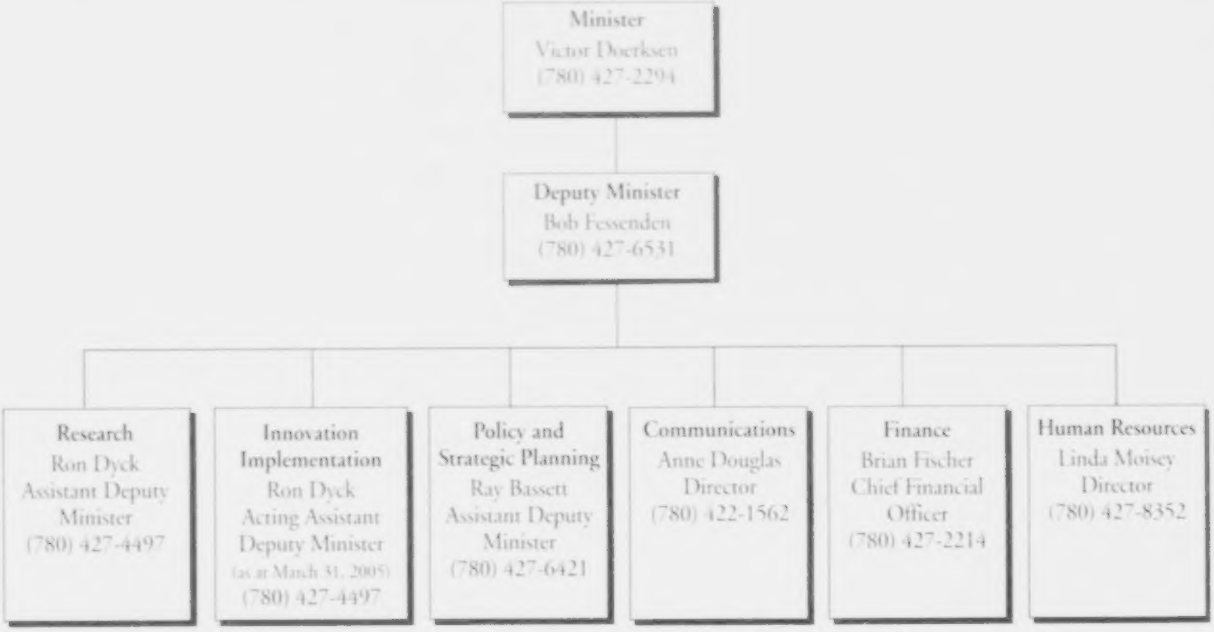
Established by the Government of Alberta in 1980, AHFMR supports biomedical and health research at Alberta universities, affiliated institutions, and other medical and technology-related institutions. AHFMR is an independent body at arms-length from, but accountable to, the government, reporting through the Minister of Alberta Innovation and Science.

Alberta Heritage Foundation for Science and Engineering Research (Alberta Ingenuity)

Alberta Ingenuity is the operating trade name of the Alberta Heritage Foundation for Science and Engineering Research, established by the Government of Alberta in 2000 with an initial endowment of $500 million. It supports a balanced, long-term program of science and engineering research based in Alberta, to nurture the discovery of new knowledge and encourage its application to benefit Albertans. Alberta Ingenuity is an independent body at arms-length from, but accountable to, the government, reporting through the Minister of Alberta Innovation and Science.

Department of Innovation and Science

Department of Innovation and Science (as at March 31, 2005)


Minister
Victor Doerksen
(780) 427-2294
Deputy Minister
Bob Fessenden
(780) 427-6531
Research
Ron Dyck
Assistant Deputy Minister
(780) 427-4497
Innovation Implementation
Ron Dyck
Acting Assistant Deputy Minister
(as at March 31, 2005)
(780) 427-4497
Policy and Strategic Planning
Ray Bassett
Assistant Deputy Minister
(780) 427-6421
Communications
Anne Douglas
Director
(780) 422-1562
Finance
Brian Fischer
Chief Financial Officer
(780) 427-2214
Human Resources
Linda Moisey
Director
(780) 427-8352

Deputy Minister

The Deputy Minister provides leadership to the department and advises the Minister. The Deputy Minister also serves as the Chief Executive Officer of ASRA.

Research

The Research Division works with ASRA, AARI, AERI and AFRI to coordinate, support and promote research, development and technology transfer in the energy and life sciences (e.g. agriculture, forestry, health). The Research Division includes the following branches:

- Energy Research and Development;
- Forestry Research and Development;
- Agriculture Research and Development; and
- Life Sciences

These branches work not only on cross-divisional initiatives but also with many other government departments and agencies to support an integrated approach to research.

Innovation Implementation

The division has two branches: Research and Technology Commercialization (RTC) and the Department Chief Information Officer (DCIO).

The overarching purpose of RTC is to create successful new companies and grow existing ones in key emerging industry sectors. The Branch focuses its efforts on four primary areas: Technology Development Services; Business Development Services; Enhanced Access to Venture Capital; and International Partnerships and Investment.

The DCIO sets the direction for strategically applying information technology to current and emerging business needs within the department, to enable program solutions, improve administrative processes and enhance communications. The DCIO is also responsible for leading projects aimed at improving efficiency within the department and in prototyping possible cross-government applications.

Policy and Strategic Planning

The Policy and Strategic Planning Division supports the Ministry in planning and policy development and addresses legislative and regulatory issues. It has two branches: Innovation Policy and Planning, and University Research and Strategic Investments.

The Innovation Policy and Planning Branch co-ordinates strategic and business planning, develops performance measures and provides input to cross-Ministry and federal/provincial/territorial activities for the department. The branch also supports ASRA strategic planning activities.

The University Research and Strategic Investments Branch administers ASRIP, the funding of selected Strategic Research Initiatives approved by the ASRA board and the government's Innovation Program.

Communications

The Communications Division provides timely, high-quality strategic communications support and advice (planning, consulting and technical guidance) to the Minister, Deputy Minister, management committee and ministry staff for key Ministry policies and initiatives. Communications ensures the Ministry's messages and services are communicated to Albertans and stakeholders effectively and efficiently.

Finance

The Finance Division provides strategic services in the areas of fiscal planning, financial reporting and general corporate services to the Ministry, ASRA and its three research institutes (AARI, AERI, AFRI), various committees, ARC and iCORE. The goal of the division is to work with business areas to increase the effectiveness and efficiency of financial management, reporting and accountability within the Ministry.

Human Resources

The Human Resources Division provides strategic human resources advice and practical support to the Ministry. Services include developing and implementing a framework for human resources initiatives in areas such as leadership development, succession management, employee attraction and retention, employee learning and recognition. Human Resources priorities align with the Corporate Human Resource Development Strategy.

REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO PERFORMANCE INFORMATION

AUDITOR
GENERAL
Alberta

To the Members of the Legislative Assembly:

In connection with the Ministry of Innovation and Science's performance information included in the 2004-2005 Annual Report of the Ministry, I have:

Performance measures

1. Agreed information from an external organization to reports from the organization.
2. Agreed information from reports that originated from organizations included in the consolidated financial statements of the Ministry to source reports. In addition, I tested the procedures used to compile the underlying data into the source reports.
3. Checked that the presentation of results is consistent with the stated methodology.
4. Checked that the results presented are comparable to stated targets, and information presented in prior years.
5. Checked that the key performance measures, as well as targets, agree to and include results for all of the measures presented in Budget 2004.

Supplemental measures

6. Agreed the information to source reports. In addition, I checked that the supporting narrative is consistent with the information.

As a result of applying the above procedures, I found exceptions for the following measures:

- *Ratio of other public and private investments in energy research to Innovation and Science investments in energy research*
- *Ratio of other public and private investments in ICT research to Innovation and Science investments in ICT and*
- *Ratio of other public and private investments in life sciences research to Innovation and Science in life sciences research*

In my examination of the reported information on a test basis, I found several errors and unexplained differences between this information and the source data on which the information is based. I was also not able to rely on the Ministry's internal controls to ensure the underlying data was compiled in accordance with the stated methodology. Management has explained in the Results Analysis section that the data reported for the above measures is incomplete, and that procedures relating to the data for these three measures are being developed and improved.

Therefore, I was not able to complete the relevant procedures for these three measures.

Procedures 1 to 6, however, do not constitute an audit and therefore I express no opinion on the performance information included in the *2004 – 2005 Annual Report of the Ministry of Innovation and Science*.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
August 5, 2005

RESULTS ANALYSIS

A SNAPSHOT OF FINANCIAL PERFORMANCE

Innovation and Science Net Operating Results

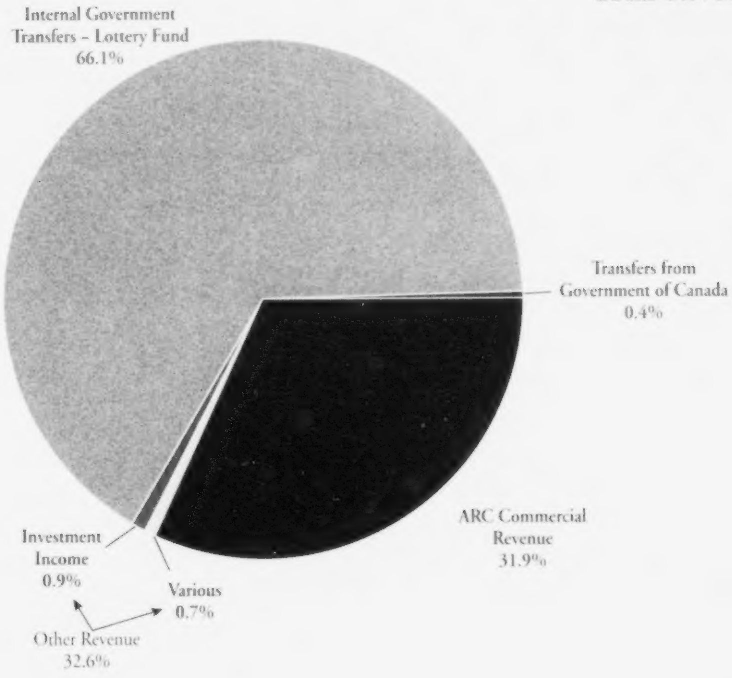
(In thousands)

	2004-05 Budget	2004-05 Actual	2003-04 Actual
REVENUE			
Internal Government Transfers - Lottery Fund	$ 69,285	$ 69,285	$ 66,797
Transfers from Government of Canada	-	374	-
Investment Income	840	956	951
Other Revenue	35,744	34,162	31,595
	$105,869	$104,777	$ 99,343
EXPENSES			
Research and Innovation	$154,623	$187,799	$136,815
Ministry Support Services	6,266	4,279	4,411
Transfer to the Alberta Heritage Science and Engineering Research Endowment Fund	-	-	21,430
Valuation Adjustment - Provision for Vacation Pay	-	99	-
	$160,889	$192,177	$162,656
Operating Loss from Discontinued Operations	$ -	$ 554	$ 2,280
Writedown of Tangible Capital Assets	-	4,591	699
Gain on Disposal of Tangible Capital Assets	-	(95)	-
NET OPERATING RESULTS	$ (55,020)	$ (92,450)	$ (66,292)
EQUIPMENT AND INVENTORY PURCHASES	$ 3,646	$ 4,924	$ 3,239

Financial results of the Ministry of Innovation and Science for the year ended March 31, 2005 include the activities of the Department of Innovation and Science and Alberta Science and Research Authority (ASRA). More detailed information can be found in the Ministry's financial statements (pages 49 –163).

Revenues

Sources of Revenue



Total Revenue: $104.8 million

Revenue for the Ministry totaled $104.8 million for 2004 – 2005, including:

- $69.3 million through an internal government transfer from the Lottery Fund for research and development initiatives
- $0.4 million from the Government of Canada for research and development initiatives
- $1.0 million in investment income due to interest earned on the bank accounts of ASRA, iCORE and ARC
- $34.1 million in other revenue as follows:
  - $33.4 million in contract revenue for ARC from the provision of research work
  - $ 0.7 million in other income (e.g. agricultural research)

Comparison of 2004 – 2005 Actual to Budget

Revenues were $1.1 million lower than budgeted primarily due to a decrease in contract revenues received by ARC.

Comparison of 2004 – 2005 Actual to 2003 – 2004 Actual

Revenues increased by $5.4 million over 2003 – 2004, primarily due to:

- a $3.1 million increase in ARC contract research revenue; and
- a $2.5 million increase in revenues from the Lottery Fund related to the Energy Research Strategy ($1.5 million) and Life Sciences ($1.0 million).

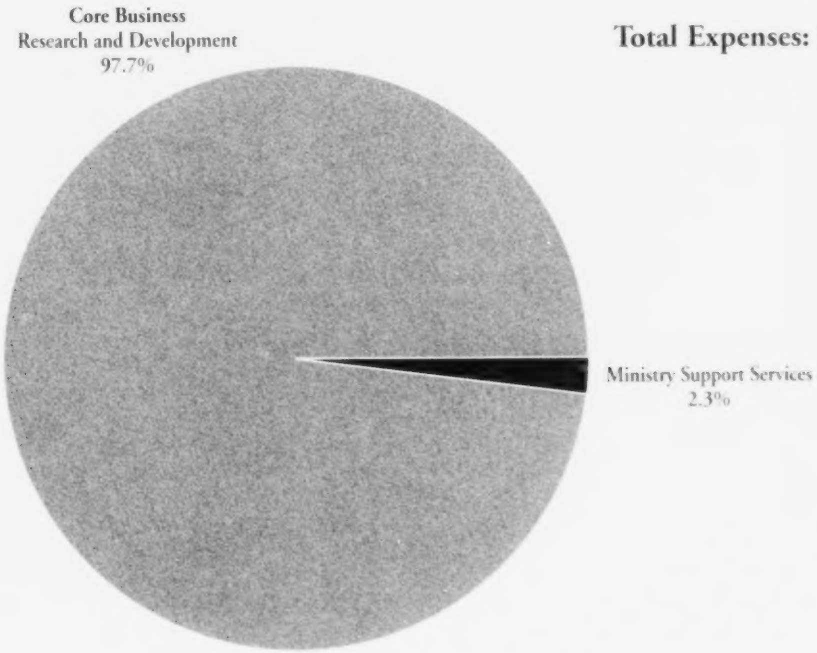
Expenses

Expense by Function

	(In thousands) 2004-05 Budget	 2004-05 Actuals	 2003-04 Actuals
Agriculture, Res. Management. & Econ. Dev.	$160,889	$192,177	$162,656

The consolidated budgets and financial statements of the Province of Alberta classify government expenses by function. The purpose of this classification is to provide a basis for sound reporting of expense by function according to national standards and for international reporting purposes. Expense by function allocations are used for inter-provincial comparisons and for determining federal funding eligibility. An expense function is defined as a classification that identifies the principal purpose for which an expense is incurred rather than the activity involved. Innovation and Science expenses are all under the function agriculture, resource management and economic development.

Expenses by Core Business



Total Expenses: $192.1 million

Expenses for the Ministry totaled $192.1 million for 2004 – 2005, including:

- $187.8 million related to Research and Innovation:
  - $139.1 million for ASRA grant programs, including:
    - $59.6 million for ARC
    - $37.8 million for modern equipment to support leading-edge research
    - $14.7 million for energy research
    - $10.2 million for iCORE to build capability in ICT research
    - $8.6 million for agricultural research
    - $6.6 million to facilitate technology commercialization
    - $1.6 million for forestry research
  - $38.0 million for prion research
  - $0.7 million for encouraging innovation within the Government of Alberta
  - $10.0 million for program delivery support
- $4.3 million for Ministry Support Services.

Comparison of 2004 – 2005 Actual to Budget

Expenses were $31.3 million higher than budgeted primarily due to a $38.0 million increase in Life Sciences resulting from the approval of a one-time supplementary estimate in 2004 – 2005 to fund prion research. This increase is partially offset by a $4.4 million decrease in ARC contract research and a $2.4 million transfer of actuals to Restructuring and Government Efficiency. This expenditure transfer is for expenses related to the delivery of the Office of the Corporate Chief Information Officer program transferred to Restructuring and Government Efficiency as part of the government-wide reorganization in the fall of 2004.

Comparison of 2004 – 2005 Actual to 2003 – 2004 Actual

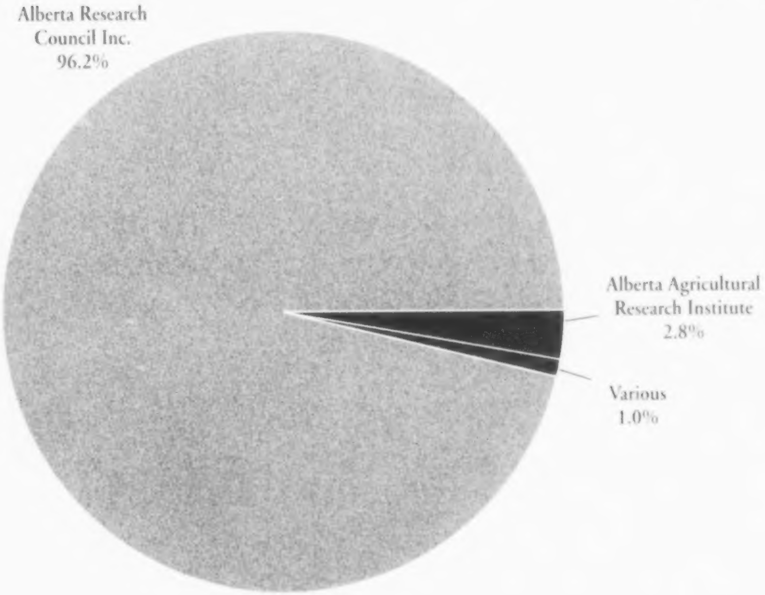
The $29.5 million increase is primarily due to:

- the $38.0 million increase in Life Sciences resulting from the approval of a one-time supplementary estimate in 2004 – 2005 to fund prion research,
- $5.8 million increase in spending by the Alberta Research Council Inc. and,
- $7.0 million Treasury Board approved increase in funding for the Innovation Program, which was created in 2004 – 2005.
- The above increases are partially offset by a decrease of $21.4 million in 2003 – 2004, which was a one-time transfer from Innovation and Science to the endowment fund that supports the Alberta Ingenuity. At that time, market losses had reduced the value of the endowment fund below the initial investment of $500 million. The $21.4 million was to bring the fund's value back to the initial investment by the end of 2003 – 2004.

Equipment and Inventory Purchases (EIP)

Equipment and Inventory Purchases by Program

Total EIP: $4.9 million



Equipment and Inventory Purchases (EIP)

(In thousands)

	2004-05 Budget	2004-05 Actuals	2003-04 Actuals
Alberta Research Council Inc.	3,346	4,738	3,189
Alberta Agricultural Research Institute	–	139	--
Various	300	47	50
	$ 3,646	$ 4,924	$ 3,239

Comparison of 2004 – 2005 Actual to 2004 – 2005 Budget and 2003 – 2004 Actual

Spending was $1.6 million higher than budgeted, primarily due to the construction of a new Agriculture Fibre Processing Facility at ARC's Edmonton location.

WHAT WE ACCOMPLISHED IN 2004 – 2005 PERFORMANCE MEASURES RESULTS

Core Business: Research and Innovation

Core Business Operating Expense: $187.8 million

Core Business Equipment and Inventory
Purchases: $4.9 million

Goal 1: In collaboration with universities and other research institutions, build the capability and capacity of Alberta's research system to achieve critical mass in areas of strategic priority

Goal 1 Operating Expense: $41.0 million

Performance Measure: Total sponsored research revenue attracted by Alberta universities ($ millions)

Performance Measure	Actual 2003 – 04 (2002-03 data)	Actual 2004 – 05* (2003-04 data)	Target 2004 – 05	Target 2005 – 06	Target 2006 – 07
1. Total sponsored research revenue attracted by Alberta universities ($ millions)	434	584	492	525	562

*Source: Innovation and Science, Research Funding at Alberta Universities 2003-2004 Report.

Discussion of Results

Sponsored research funding increased significantly, from $434 million in 2002-2003 to $584 million in 2003 – 2004 (the most recent data available), exceeding both the 2003 – 2004 target of $460 million and the 2004 – 2005 target of $492 million by significant margins.

The increase in sponsored research funding is largely due to:

- Alberta Government contributions to capital projects at the U of A and the U of C exceeding $70 million.
- The federal government reintroducing the indirect operating costs fund as an ongoing program, contributing $22.8 million.

Sponsored research has tripled in the last seven years, reflecting the introduction and expansion of programs to increase research capacity and capability by both the federal and provincial governments.

Excellence in research attracts sponsored research revenue in a highly competitive environment. Therefore, the ability of universities to attract research funding is an indicator of the quality of the universities' faculty and research programs and the capability and capacity of Alberta's research system. The more sponsored research revenue these institutions obtain, the better able they are to attract and retain world-class researchers, who then attract top graduate students, and further strengthen the workforce supporting Alberta's innovation capacity.

Several key external factors affect results:

- Business activities and growth in strategic industry sectors and the overall state of the economy strongly impact the levels of industry-sponsored research.
- Endowed funds invested in research, such as those administered by the AHFMR and Alberta Ingenuity, depend on investment revenues. The sluggish performance of the market in 2004 limited the ability of the AHFMR and Alberta Ingenuity to increase investments in health, science and engineering research.
- The availability of federal research funds significantly affects total sponsored research, as provincial research funding is used to garner additional federal funds to support Alberta priorities.

The measure "Sponsored research revenue attracted by Alberta universities" is continued in the 2005 – 2008 business plan, but is complemented by an additional component, "sponsored research revenue attracted by Alberta technical institutes and colleges."

Goal 2: Build the capacity and capability needed to support an innovative and globally competitive energy sector

Goal 2 Operating Expense: $22.4 million

Performance Measure: Ratio of other public and private investments in energy research to Innovation and Science investments in energy research

Performance Measure	Actual 2003 – 04	Actual 2004 – 05	Target 2004 – 05	Target 2005 – 06	Target 2006 – 07
1. Ratio of other public and private investments in energy research to Innovation and Science investments in energy research*	4.13	3.34	To be determined		

Source: Innovation and Science, Strategic Investment Reporting** (SIR) Database.

*Initial estimate is 6.16. Targets will be established in 2004-05.

** Strategic Investment Reporting Database was identified as Strategic Investment Research Database in the business plan.

***The ratio is based on investments/commitments over the life of the research agreement, rather than expenditures in a single year, as a multi-year agreement often has different payment schedules.

Discussion of Results

In 2004 – 2005, collaborating partners invested $3.34 in energy research for every dollar invested by Innovation and Science. The leverage ratio for 2004 – 2005 was lower than the last actual (2003 – 2004) of 4.13 because 10 of 12 new research agreements initiated through AERI involved in-kind contributions by partners, which are not included in leverage ratio determination. This resulted in a leverage of less than $1 for those projects.

The ratio for 2003 – 2004 (4.13) is lower than the initial estimate for 2003 – 2004 (6.16). The variance occurred because the leverage ratio guidelines were not finalized and the database was not fully developed.

The ratio of investments shows the relevance of research projects to, and alignment of industry or other funding partners' priorities with, Innovation and Science strategic priorities. Research excellence is also a factor in attracting other research funding. Global economic factors that impact industry investment in energy research influence results for this measure.

This new measure goes beyond reporting only on our investments and seeks to capture and report on investments by "all other" collaborating partners in this strategically important area of research and innovation. The data for "other" research funding is incomplete and unavailable from any single source. The procedures to acquire the data from hundreds of research funding partners are being developed and improved.

The measure "Ratio of other public and private investments in energy research to Innovation and Science investments in energy research" is continued in the 2005 – 2008 business plan, but is modified to reflect the government commitment by replacing "Innovation and Science" with "Government of Alberta." The ratio is a multi-year measure reflecting the longer-term nature of investments in many research projects.

In addition, the ratio measure is complemented by the new measures "Non-GOA investment in energy research" and "GOA investment in energy research" in the 2005 – 2008 business plan. These will present investments for the fiscal year.

"Growth of EnergyINet — number of participating organizations" is a new measure added to monitor progress on implementing the energy innovation strategy.

Goal 3: Build the capacity and capability needed to support an innovative and globally competitive information and communications technology sector

Goal 3 Operating Expense: $12.5 million

Performance Measure 1: Total number of ICT researchers and graduate students attracted to Alberta universities by iCORE Inc.

Performance Measure	Last Actual 2002 – 03	Actual 2003 – 04	Actual 2004 – 05	Target 2004 – 05	Target 2005 – 06	Target 2006 – 07
1. Total number of ICT researchers and graduate students attracted to Alberta universities by iCORE Inc.						
Research Chairs (major awards)	13	17	21	17	17	17
Graduate Students	138	161	175	135	135	135

Source: iCORE Inc.

Discussion of Results

The results significantly exceeded targets, with iCORE funding 21 major awards and supporting 175 graduate students in ICT. The success is due to increased funding and the high number of qualified graduate students attracted to Alberta.

Increasing the number of top, world-class minds is crucial to Alberta's success in fostering excellence in ICT research that contributes to the province's continued prosperity. Ministry activities, through iCORE Inc. (a wholly-owned subsidiary of ASRA) have a direct effect on the outcome of this measure. iCORE's primary focus is on the attraction, retention, education and support of exceptional researchers, who have had, and will continue to have, a direct impact on the research funding and quality of graduate students attracted to the province.

Several external factors affect results:

- the Research Chairs of the calibre sought, their research teams and their families must be willing to move to Alberta in the face of world-wide competition for their skills;
- few large ICT companies in the province can be the required funding partner for an Industry Research Chair; and
- universities, the Natural Sciences and Engineering Research Council and/or Alberta Ingenuity review graduate student qualifications first. The reasons Computer Science and Electrical Engineering student numbers rise or fall are beyond our control.

The measure "Total number of ICT researchers and graduate students attracted to Alberta universities by iCORE Inc. – Research Chairs (major awards) and Graduate Students" is continued in 2005 – 2008 but is modified by presenting additional detail for "new" and "total active (including new)" awards.

Performance Measure 2: Ratio of other public and private investments in ICT research to Innovation and Science investments in ICT research

Performance Measure	Last Actual (2003 – 04)	Actual 2004 – 05	Target 2004 – 05	Target 2005 – 06	Target 2006 – 07
2. Ratio of private and other public investments in ICT research to Innovation and Science investments in ICT research*	1.99	1.89	To be determined		

Source: Innovation and Science, Strategic Investment Reporting** Database and iCORE Inc.

*Initial estimate is 2.14. Targets will be established in 2004-05.

** Strategic Investment Reporting Database was identified as Strategic Investment Research Database in the business plan.

***The ratio is based on investments/commitments over the life of the research agreement, rather than expenditures in a single year, as a multi-year agreement often has different payment schedules.

Discussion of Results

In 2004 – 2005, collaborating partners invested $1.89 in ICT research for every dollar invested by Innovation and Science. The leverage ratio for 2004 – 2005 is lower than the last actual (2003 – 2004) of 1.99 because the availability of matching funding has declined due to a slowdown in federal funding programs and consolidation in the ICT industry. These factors also contributed to the variance between the last actual (2003 – 2004) of 1.99 and the initial estimate (2.14). The Ministry has established targets, which appear in the 2005 – 2008 business plan.

The ratio of investments shows the relevance of projects to, and alignment of industry or other funding partners' priorities with, Innovation and Science strategic priorities. Research excellence is also a factor in attracting other research funding.

This measure is a combined result for investments by iCORE, Research Technology Commercialization, and the University Research and Strategic Investments branch (that administers ASRIP, the Strategic Research Initiatives funding envelope, the Strategic Investments in Research funding envelope, and the Emerging Opportunities funding envelope) that fund research equipment and other operating needs.

This measure assesses the impact of Innovation and Science investments in attracting other government and industry investment (leverage) to ICT research. Investment by others is evidence that they recognize the excellence of Alberta's people, ideas, research capacity and capability.

An external factor that affects the ability to attract additional research funding is the importance that other potential partners see in funding university-based research. Governments fund university-based research in order to seed innovation for the long-term benefit of society. Currently the Canadian government funds ICT research well. Of potential private sector partners, typically only large ICT companies have the resources to fund research, and they may choose to conduct research in-house or sometimes partner with a university. The ICT industry in Alberta is mostly small to medium size firms, which do not have the resources to invest in research as much as larger firms. In addition, the ICT industry remains in a downturn and is not significantly funding university-based research.

This new measure goes beyond reporting only on our investments and seeks to capture and report on investments by "all other" collaborating partners in this strategically important area of research and innovation. The data for "other" research funding is incomplete and unavailable from any single source. The procedures to acquire the data from hundreds of research funding partners are being developed and improved.

iCORE's programs focus primarily on university-based research. The iCORE Board has set a minimum target of one-to-one matching of its funding from other sources to ensure that research funded by iCORE is relevant to others and to have others share the research risk. The target of one-to-one matching recognizes that funding for fundamental research is difficult to attract, particularly in an emerging sector that does not have many large companies in Canada. iCORE has started some programs that involve industry and federal funding and target two-to-one matching, but this is a small portion of iCORE's portfolio and does not impact the target at this time.

The actual ratio significantly exceeds one due to the significant research funding currently available from the federal government via the Canada Research Chair program and the Canadian Foundation for Innovation program. The ratio could be even higher if industry in-kind contributions were counted. In ICT research, most industry support is via in-kind hardware or software contributions.

The measure "Ratio of other public and private investments in ICT research to Innovation and Science investments in ICT research" is continued in the 2005 – 2008 business plan. It has been modified to reflect the government commitment by replacing "Innovation and Science" with "Government of Alberta." The ratio is a multi-year measure reflecting the longer-term nature of investments in many research projects.

In addition, the ratio measure will be complemented by the new measures, "Non-GOA investment in ICT research" and "GOA investment in ICT research." These will present investments for the fiscal year.

Performance Measure 3: Number of Albertans employed in the ICT sector

Performance Measure	Last Actual (2002)	Actual 2003	Actual 2004*	Target 2004 – 05	Target 2005 – 06	Target 2006 – 07
3. Number of Albertans employed in the ICT sector	57,900	55,400	53,200	54,000	55,350	58,118

Source: Statistics Canada, Labour Force Survey

*Last Actual (2002) is re-stated, to be consistent with 2003 and 2004 Actual, based on revised NAICS (2002) codes and revised ICT sector definition implemented by Statistics Canada in 2004.

Discussion of Results

There were 53,200 Albertans employed in the ICT sector in 2004, based on the updated and newly implemented North American industry classification system (NAICS 2002). This is below the target of 54,000. However, direct comparison of the actual employment value reported for 2004 against the target for 2004 – 2005 is not possible because of a change in the methods used by Statistics Canada to collect employment data. The targets were based on data available using NAICS 1997 codes and the ICT sector definition in place and historical data available when the business plan was finalized in fall 2003. The methodology section describes the changes in NAICS codes and redefinition of the sector by Statistics Canada.

The target of 54,000 represented a five per cent growth. Alberta ICT industry employment, based on NAICS (2002), declined by about four per cent from 2003 to 2004. The continuing downturn in the global ICT industry and emerging strength in this industry in Asia (e.g. outsourcing to China and India) impact this measure.

The performance of the ICT sector, which is one of the largest and is significantly interrelated with other high-tech sectors, indicates performance of the knowledge-driven segment of the economy. This measure is a good indicator of the state of the sector. Growth in employment would indicate sector expansion, and the decline would indicate contraction.

Innovation and Science contributes to increasing the skilled ICT workforce in Alberta, by attracting world-class ICT researchers through iCORE and by attracting high quality people to the province through international activities. Research excellence attracts industry investment and interest. The intent is growth in the ICT sector, which will ultimately be reflected in increased ICT employment.

The Alberta Provincial Nominee Program, an immigration program administered by Alberta Economic Development, allows Alberta to choose a limited number of immigrants to meet critical skill shortages experienced by Alberta employers. Where there is a shortage of qualified workers in Alberta, the Alberta Provincial Nominee Program may provide eligible Alberta employers with certificates to fill critical skill occupations. ICT is one of the sectors the PNP supports.

In the 2005 – 2008 business plan, the measures "Number of Albertans employed in knowledge-intensive (high-tech) companies" and "Albertans employed in knowledge-intensive (high-tech) companies as a percentage of Albertans employed in all companies" replace "Number of Albertans employed in the ICT sector." The measures also appear under a different goal. The change to a broader industry sector better aligns with the strategic priorities in the Ministry business plan.

Goal 4: Build the capacity and capability needed to support an innovative and globally competitive life sciences sector

Goal 4 Operating Expense: $61.4 million
Equipment and Inventory Purchases: $0.2 million

Performance Measure: Ratio of other public and private investments in life sciences research to Innovation and Science investments in life sciences research

Performance Measure	Last Actual 2003 – 04	Actual 2004 – 05	Target 2004 – 05	Target 2005 – 06	Target 2006 – 07
1. Ratio of other public and private investments in life sciences research to Innovation and Science investments in life sciences research*	2.99	3.14	Targets to be determined		

Source: Innovation and Science, Strategic Investment Reporting** Database.

* Initial estimate is 1.87. Targets will be established in 2004-05.

** Strategic Investment Reporting Database was identified as Strategic Investment Research Database in the business plan.

*** The ratio is based on investments/commitments over the life of the research agreement, rather than expenditures in a single year, as a multi-year agreement often has different payment schedules.

Discussion of Results

The result for 2004 – 2005 was $3.14 invested in life sciences research by all other funders for every dollar invested in research by Innovation and Science. The last actual for 2003 – 2004, 2.99, was higher than the estimate of 1.87 due to several research initiatives where Innovation and Science investment was highly leveraged with other sources. Several high ratio projects also influenced the 2004 – 2005 ratio.

In addition, the estimate was developed before the leverage ratio guidelines were completed. The guidelines now in place specify that investments be considered over the life of the research agreement rather than expenditures in a single year, as a multi-year agreement often has different payment schedules. Higher or lower expenditures in one year can affect the leverage ratio results. By calculating over the life of the project, greater consistency is achieved.

The ratio of investments shows the relevance of projects to, and alignment of industry or other funding partners' priorities with, Innovation and Science strategic priorities. Research excellence is also a factor in attracting research funding, irrespective of source.

The Ministry activities that influence the outcomes include life sciences initiatives established by AARI, AFRI and ASRIP. However, several large research initiatives with unusually high leverage against the Innovation and Science investment are ending within a few years, which will reduce the ratio. The effect may be offset by other initiatives that will commence.

This new measure goes beyond reporting only on our investments and seeks to capture and report on investments by "all other" collaborating partners in this strategically important area of research and innovation. The data for "other" research funding is incomplete and unavailable from any single source. The procedures to acquire the data from hundreds of research funding partners are being developed and improved.

The measure "Ratio of other public and private investments in life sciences research to Innovation and Science investments in life sciences research" is continued in the 2005 – 2008 business plan. However, it has been modified to reflect the government commitment by replacing "Innovation and Science" with "Government of Alberta." The ratio is a multi-year measure reflecting the longer-term nature of investments in many research projects.

In addition, the "ratio" measure will be complemented by the new measures, "Non-GOA investment in life sciences research" and "GOA investment in life sciences research." These will present investments for the fiscal year.

Goal 5: Build the capacity and capability needed to support an innovative and globally competitive economy in Alberta

Goal 5 Operating Expense: $50.5 million
Equipment and Inventory Purchases: $4.7 million

Performance Measure 1: Percentage of Canadian venture capital invested in Alberta

Performance Measure	Actual 2002 – 03	Actual 2003 – 04	Actual 2004 – 05	Target 2004 – 05	Target 2005 – 06	Target 2006 – 07
1. Percentage of Canadian venture capital invested in Alberta	4.1%	4.1%	2.6%	2.8%	3.0%	3.4%

Source: Macdonald and Associates Ltd. Collected May 16, 2005

NOTE: The last actual for 2002-2003 available in May 2005 does not match the data available when the business plan was developed. The source data from Macdonald and Associates is dynamic, with additional data relevant to a period added on a continual basis as it becomes available.

Discussion of Results

In 2004 – 2005, Alberta companies attracted 2.6 per cent of the total venture capital invested in Canada, which is below the target value of 2.8 per cent. The actual for 2003 – 04 was 4.1 per cent, the same as the previous year (2002 – 2003).

The last actual for 2002-2003 (4.1 per cent), based on data available in May 2005, is significantly higher than the last actual for 2002-2003, based on data available in the fall of 2003 (2.6 per cent) for use in the business plan. The source data from MacDonald and Associates is dynamic, with additional data relevant to a period added continually as it becomes known.

Based on the above information, the 2004 – 2005 result may be an underestimate. The McDonald and Associates database was queried in May 2005, a little over a month after the fiscal year end for 2004 – 2005. It is likely that not all of the "deals" for 2004 – 2005 have been disclosed and entered. This issue has been noted and addressed. The reporting period in our next business plan has been changed to the calendar year to allow more time for deals to be reflected in the database.

This measure assesses the impact of Innovation and Science activities aimed at attracting and facilitating access to venture capital in the province. Venture capital is often cited as an important factor contributing to innovation and knowledge industry growth in Alberta. Therefore, this measure provides an indication of the capacity and capability needed to support an innovative and globally competitive economy.

Innovation and Science activities to increase the percentage of venture capital invested in Alberta include investment attraction activities (such as the Alberta California Venture Channel and the Banff Venture Forum) and investor network development programs (such as the Kieretsu Forum, Deal Generator and the Calgary Angel Network). The technology commercialization programs aimed at SME investor readiness (such as Financing Your Vision, Concept to Capital) can affect the quality of the potential deals available in Alberta and the percentage of investment in Alberta.

The attractiveness of other investment opportunities (such as energy investments) and fiscal policy in other Canadian provinces can affect venture capital investment in Alberta.

The measure "Percentage of Canadian venture capital invested in Alberta" is continued in the 2005 – 2008 business plan.

Performance Measure 2: Number of innovative projects undertaken with support from the Innovation Program

Performance Measure	Last Actual (2002 – 03)	Target 2004 – 05	Actual 2004 – 05	Target 2005 – 06	Target 2005 – 06
2. Number of innovative projects undertaken with support from the Innovation Program.	New	5	17	To be determined	

Source: Innovation and Science

Discussion of Results

The 17 projects awarded funding in 2004 – 2005 exceeded the target of five projects by 240 per cent due to unexpectedly high interest in the program. There were 76 project submissions, and the quality of applications and innovative merit of the projects exceeded initial expectations.

Since this was a new program, there was no baseline data to help determine targets. The 2004 – 2005 target of five projects was established with the anticipation that the peer reviewers and the Innovation Program Review Panel would have extremely high expectations. Furthermore, it was anticipated that the number of applications would be relatively low because of the program's limited exposure.

The Innovation Program supports Government of Alberta projects that enhance service delivery or accelerate the adoption and application of innovation in Alberta. The increasingly competitive global marketplace dictates that future success in both the public and private sectors depends on the ability to innovate. The Innovation Program benefits Albertans by enhancing the services, capabilities, opportunities, and competitive advantages of the Government of Alberta and its partners.

The Innovation Program invited Alberta government departments, agencies, boards, commissions and Crown corporations to submit project proposals. Reviewers, both internal and external, used their judgment to evaluate applications against established criteria. Project proposals that closely aligned with the program criteria and met the expected standard of excellence and innovation were funded.

This measure provides insight on innovative activity within the Government of Alberta. The number of projects funded indicates the commitment to innovation by the successful applicants. As the Innovation Program standards and expectations were high, the greater the number of funded projects, the more the Government of Alberta is effectively embracing and implementing innovation.

A major factor outside Ministry influence is the ability of applicant organizations to find resources to meet the program's 50 per cent matching requirement. Another is the ability of applicant organizations to identify innovative opportunities within their operations and develop high quality project plans and Innovation Program applications.

The measure "Number of innovative projects undertaken with support from the Innovation Program" has been discontinued and replaced by a new measure "Percentage of Government of Alberta Expense used to support innovation." The new measure evolved to more effectively reflect the Government commitment to innovation growing beyond the initial focus on a single departmental program.

Measures Related to Key Corporate Activities

Measure: Innovation and Science Employee Satisfaction and Understanding of Contribution

Performance Measure	Last Actual (2003 – 04)	Result 2004 – 05	Target 2004 – 05	Target 2005 – 06	Target 2006 – 07
Percentage of employees who know and understand how their work contributes to the achievement of their department business plan	78%	79%	87%	93%	100%
Percentage of employees who are very/somewhat satisfied with their employment at Innovation and Science/Government of Alberta	84%	88%	88%	92%	95%
Percentage of employees who agree that Innovation and Science provides the support they need to acquire or develop knowledge and skills in their current job	70%	80%	79%	82%	85%
Percentage of employees indicating that their organization provides expected outcomes for their work	62%	74%	75%	80%	85%
Percentage of employees indicating that their organization helps them know and understand how well they are performing	64%	79%	70%	78%	85%

Discussion of Results

Overall, the results were very encouraging with results ranging from 74 per cent to 88 per cent satisfaction.

Three of the five components of the measure met or exceeded the target. One component was slightly (one per cent) below the target and one was significantly below the target.

Generally, employees reported that they are well supported, trained and developed, and rewarded for their work. Significant increases occurred in the areas of training (up 10 per cent), providing expected outcomes (up 12 per cent), and recognizing efforts (up 15 per cent).

Targets reflect "stretch" goals. It is recognized that significant year-to-year increases are difficult to attain but nonetheless worth striving for, over a number of years.

The target for helping employees understand how well they are performing was significantly exceeded, indicating that efforts at improving employee recognition have been successful. Targets were not met in the areas of knowing and understanding how their work contributes to the business plan and the organization providing expected outcomes from their work. However, results for both these targets showed improvement (up one per cent and 12 per cent respectively). While employees understand what they are expected to do and feel rewarded for doing it, improvements are needed to help employees better understand how their efforts support the business plan.

This indicator reflects the department's efforts to support the achievement of objectives in the Alberta Government's Corporate Human Resource Development Strategy. It provides insight into key determinants of employee satisfaction that may have an impact on the department's ability to engage its employees and contribute to organizational productivity.

Factors that affect achievement of targets include the influence of government/organization changes upon employee perceptions and morale.

Two internal factors helped in the meeting of targets and overall improvements:

- the Human Resources Division received additional resources; and
- the Ministry introduced several programs/activities, including:
  - revised Performance Management Contracts and Learning Plans;
  - increased business/social gathering opportunities;
  - introduction of Healthy U challenges;
  - additional training events; and
  - multiple but varied focus groups relating to department business and operations.

Last actual results include the responses of the Corporate Chief Information Office, whereas the current results reflect only the department of Innovation and Science.

This measure is continued in the 2005 – 2008 business plan.

METHODOLOGY – PERFORMANCE MEASURES

Goal 1

Measure: Total sponsored research revenue attracted by Alberta universities

The data includes sponsored research at the U of A, the U of C, the U of L and Athabasca University. The University Research and Strategic Investments Branch, Alberta Innovation and Science, compiled and organized the data and published it in the report *Research Funding at Alberta Universities 2003 – 04*.

The specific source of the university information is a financial statement supplementary schedule that has not necessarily been audited. Universities are required to ensure the reliability of the numbers that are forwarded to Alberta Innovation and Science. Innovation and Science relies on the universities to supply the correct information and does not independently verify the data.

Universities provide data annually. There is a one-year lag in the data, as the year-end for the universities is June 30. For example, for the 2004 – 2005 annual reporting cycle, the most recent data available is for 2003 – 2004.

Goal 2

Measure: Ratio of other public and private investments in energy research to Innovation and Science investments in energy research

Innovation and Science obtains data from active research agreements and enters it into the Strategic Investment Reporting (SIR) database. Information is added after research agreements are signed and updated if the agreements are amended or more recent information becomes available from annual reports, etc. The summary reports from the SIR database were generated in May and June 2005 to calculate the ratio.

The ratio is based on investments over the life of the research agreement, rather than expenditures in a single year, as a multi-year agreement often has different payment schedules. Higher or lower expenditures in one year can affect the leverage ratio results. By calculating over the life of the project, greater consistency is achieved. While in-kind costs from other research participants can be significant, further work is required to establish consistency in how these costs are calculated before they can be included in the leverage ratio. The costs for strategic program area research managers are excluded. ARC contributions are also excluded because it is a research performer that receives funding from many sources and the ability to report project funding by source of funds is not in place. ARC contributions also include in-kind contributions.

The leverage measure guidelines completed in August 2004 and the SIR database manual provide instructions for staff to use when entering data. All business areas and entities within the Ministry that have data for this measure participated in developing the guidelines. Business areas are responsible for entering data into the SIR database based on the guidelines and for reviewing the data. The business areas and programs that contribute data for this goal are AERI and the University Research and Strategic Investments branch, that administers ASRIP and the Strategic Research Initiatives funding envelope. A representative in the Research Division reviews the reports, and data is validated as necessary.

There are about 100 "other" funding partners contributing to this strategic research theme. They include other provincial government departments, federal government agencies, government entities from other countries, universities and non-profit research entities, and many private sector organizations and businesses. Contributions by AHFMR and AIF are considered "other" funding when determining the ratio.

Goal 3

Measure 1: Total number of ICT researchers and graduate students attracted to Alberta universities by iCORE Inc.

The data in this measure is based upon the active contracts that iCORE has with the universities to fund major awards and graduate student awards.

iCORE also publishes a more detailed performance measure report with measures derived from the following sources:

- detailed annual reports submitted by every Research Chair each June for the previous fiscal year, which include counts and details of approximately 25 reporting variables; and
- a survey of all graduate student scholarship recipients (past and present) conducted by iCORE every summer, which looks at their education and employment status.

iCORE has board-approved criteria and processes for making graduate student awards. iCORE's awards criteria are approved by the Board of Directors or its proxy, the Internal Review Committee. iCORE's decisions on major awards are recorded in Internal Review Committee minutes. iCORE receives confirmation of graduate student eligibility from the students and verifies this with the universities.

The contract administrator stores hard-copy contracts. An electronic database of contract information is maintained, which generates reports on counts of contracts and individuals. iCORE may enter into contracts at any time, but typically contracts start in May, July, September and January. iCORE receives quarterly and annual reports from all major awardees. iCORE graduate students provide their information at the beginning of their enrolment, and it is updated once each year. Information is timely, reflecting the fiscal year ended March 31.

Measure 2: Ratio of other public and private investments in ICT research to Innovation and Science investments in ICT research

Innovation and Science funding programs and iCORE enter into agreements with recipients. Data derived from research agreements is entered into the SIR database of Innovation and Science. Information is added after research agreements are signed and updated if the agreements are amended or more recent information becomes available from annual reports, etc. The iCORE data is collected by a different method. iCORE requires researchers that it funds to submit by May 15 each year an annual report for the previous fiscal year (April 1 to March 31). One part of the annual report from researchers contains details on all the funding the researchers obtain, including sources in addition to those where iCORE is a party, and whether there is proof of the funding. iCORE consolidates, but does not verify, the information from researchers to derive this measure. The information is also cross-validated with other sources (CFI, CRC, ASRIP and AIF data). The iCORE method of deriving data from annual reports submitted by researchers on funding sources differs from the method used by Innovation and Science business areas for this and the other two ratio measures.

The ratio is calculated based on the combined data from the SIR database and iCORE. The summary reports from the SIR database were generated in May and June 2005 to calculate the ratio.

The ratio is based on investments over the life of the research agreement, rather than expenditures in a single year, as a multi-year agreement often has different payment schedules. Higher or lower expenditures in one year can affect the leverage ratio results. By calculating over the life of the project, greater consistency is achieved. While in-kind costs from other research participants can be significant, further work is required to establish consistency in how these costs are calculated before they can be included in the leverage ratio. The costs for strategic program area research managers and administrative streams are excluded. ARC contributions are also excluded because it is a research performer that receives funding from many sources and the ability to report project funding by source of funds is not in place. ARC contributions also include in-kind contributions.

The leverage measure guidelines completed in August 2004 and the SIR database manual provide instructions for staff to use when entering data. All business areas and entities within the Ministry that have data for this measure participated in developing the guidelines. Business areas are responsible for entering data into the SIR database based on the guidelines and for reviewing the data.

The business areas and entities that contribute data for this goal are iCORE, Research Technology Commercialization, and the University Research and Strategic Investments branch (that administers ASRIP, the Strategic Research Initiatives funding envelope, the Strategic Investments in Research funding envelope, and the Emerging Opportunities funding envelope).

There are about 100 "other" funding partners contributing to this strategic research theme. They include other provincial government departments, federal government agencies, government entities from other countries, universities and non-profit research entities, and many private sector organizations and businesses. Contributions by AHFMR and AIF are considered "other" funding when determining the ratio.

Measure 3: Number of Albertans employed in the ICT sector

Alberta Economic Development purchases Labour Force Survey data for each calendar year from Statistics Canada. Economic Development reviews the data and sends the Excel file directly to Alberta Innovation and Science in the original form.

The most recent results are based on the Labour Force Survey for calendar year 2004, in which 5,370 Alberta households were surveyed each month. Only annual averages appear in this measure. The margin of error with provincial annual averages is consistent with a coefficient of variation of between 10 per cent and 15 per cent. Detailed information about the methodology and data accuracy for the survey can be found in the Guide to the Labour Force Survey. This document can be accessed on the Statistics Canada website: http://www.statcan.ca:8096/bsolc/english/bsolc?catno=71-543-G

Definition of the ICT Sector

Selected North American Industry Classification System (NAICS) codes are used to define the ICT sector. The following NAICS (1997) codes were used to define the ICT sector and select the data for the 2002 and 2003 periods:

3341	Computer & Peripheral Equipment Manufacturing
3342	Communications Equipment Manufacturing
3343	Audio & Video Equipment Manufacturing
3344	Semiconductor & Other Electronic Component Manufacturing
3345	Navigational, Medical & Control Instruments Manufacturing
5112	Software Publishers
5132	Pay TV, Specialty TV & Program Distribution
5133	Telecommunications
5141	Information Services
5142	Data Proc. Services
5415	Computer Systems Design & Related Services
8112	Electronic & Precision Equipment Repair & Maintenance

In 2004, Statistics Canada implemented the revised NAICS (2002) codes. Data is unavailable using the NIACS (1997) codes.

In addition, the NAICS (2002) codes used to define the ICT sector (and therefore employment) changed slightly. The new NAICS (2002) codes used to define the ICT sector are:

3333	Commercial and Service Industry Machine Manufacturing
3341	Computer & Peripheral Equipment Manufacturing
3342	Communications Equipment Manufacturing
3343	Audio & Video Equipment Manufacturing
3344	Semiconductor & Other Electronic Component Manufacturing
3345	Navigational, Medical & Control Instruments Manufacturing
4173	Computer and Communication Equipment and Supplies
5112	Software Publishers
5175	Cable and other program distribution
5171	Wired Telecommunication Carrier
5172	Wired Telecommunication Carrier (Except Satellite)
5173	Wired Resellers
5174	Satellite Communications
5179	Other Telecommunications
5191	Other Information Services
5181	Internet Service Providers, Websearch Portals
5182	Data processing, Hosting and Related Services
5415	Computer Systems Design & Related Services
8112	Electronic & Precision Equipment Repair & Maintenance

The Statistics Canada website below has the NAICS 2002 codes for the ICT sector: http://www.statcan.ca/english/Subjects/Standard/spec-aggreg/ict-2002/ict02-menu.htm

Ministry staff worked with Alberta Economic Development to develop a comprehensive definition of the ICT sector based on NAICS codes. This ensures that the data is specific and comparable from year to year.

The data source for this measure is external. Statistics Canada has controls in place to ensure the quality and accuracy of the data provided to clients.

Data is based on the calendar year and is usually available in mid-January. The information is timely for annual reporting — the most recent actual is for the previous year ended December 31. However, it is not ideally suited to business plan development. The last actual lags by two years (2002 instead of 2003) due to the business plan being finalized in late fall, typically November, about two months before the data is released in mid-January.

Note on last actual (2002): When the 2004 – 2007 business plan was finalized in late fall 2003, the most recent data available was for 2002. The employment data for 2003 was released in mid-January 2004.

Goal 4

Measure: Ratio of other public and private investments in life sciences research to Innovation and Science investments in life sciences research

Innovation and Science obtains data from active research agreements and enters it into the Strategic Investment Reporting (SIR) database. Information is added after research agreements are signed and updated if the agreements are amended or more recent information becomes available from annual reports, etc. The summary reports from the SIR database were generated in May and June 2005 to calculate the ratio.

The ratio is based on investments over the life of the research agreement, rather than expenditures in a single year, as a multi-year agreement often has different payment schedules. Higher or lower expenditures in one year can affect the leverage ratio results. By calculating over the life of the project, greater consistency is achieved. While in-kind costs from other research participants can be significant, further work is required to establish consistency in how these costs are calculated before they can be included in the leverage ratio. The costs for strategic program area research managers are excluded. ARC contributions are also excluded because it is a research performer that receives funding from many sources and the ability to report project funding by source of funds is not in place. ARC contributions also include in-kind contributions.

The leverage measure guidelines completed in August 2004 and the SIR database manual provide instructions for staff to use when entering data. All business areas and entities within the Ministry that have data for this measure participated in developing the guidelines. Business areas are responsible for entering data into the SIR database based on the guidelines and for reviewing the data. The business areas and entities that contribute data for this goal are AARI, AFRI, Research Technology Commercialization and the University Research and Strategic Investments branch (that administers ASRIP and the Strategic Research Initiatives funding envelope).

There are over 200 "other" funding partners contributing to this strategic research theme. They include other provincial government departments, federal government agencies, government entities from other countries, universities and non-profit research entities, and many private sector organizations and businesses. Contributions by AHFMR and AIF are considered "other" funding when determining the ratio.

Information is updated as research agreements are established. Data gathered in the spring supports the development of the department's annual report, and data gathered in the summer and fall supports development of the following year's business plan. A representative of the Research Division reviews summary reports, and data is validated as necessary. Innovation and Science Finance stores the reports and background data when a run is completed, for future reference.

Goal 5

Measure 1: Percentage of Canadian venture capital invested in Alberta

Data is obtained from the VCAnalyst system, a subscription-based service provided by McDonald and Associates, the premier source of venture capital information in Canada.

The amount of venture capital funds invested in Canada and the provinces is obtained by a query with the following parameters:

- Data is collected for Q2, Q3 and Q4 of year 1 and Q1 of year 2;
- Data is collected for both new fundings and follow-on fundings;
- Data is collected for the life sciences, ICT, other technology (energy and environmental) and traditional industries (i.e. retail and manufacturing);
- Data is collected for both early stage deals (seed and start-up) and late stage deals (expansion, turnaround etc.); and
- Data is collected for all size deals (i.e. from $500,000 through $5 million).

The database is dynamic — data can be added to earlier periods at a later date. Thus, the data at one time will differ from that at a later time when additional information becomes available.

McDonald and Associates verifies data through triangulation. Since many deals are syndicated (done in teams), the deal data given to McDonald and Associates can be compared from multiple sources.

The data source for this measure is external. Innovation and Science does a general review of the data. Since the database is dynamic and is being constantly updated, including retrospective data, it is impossible to completely verify accuracy. When the database is queried, the reports and data files are saved.

Measure 2: Number of innovative projects undertaken with support from the Innovation Program

The primary data source is the applications for funding and the number of approved projects at the time of reporting. The administrative assistant for the Innovation Program collects the data, and the Innovation Program manager verifies and approves it.

Innovation and Science used a standardized process for both competitions. The process included date-stamping and assigning identification numbers to applications upon receipt, creating copies of applications, filing original applications, compiling a list of applications, reviewing that list and verifying that data was accurately recorded. The process involved three administrative support staff and three management staff. Once processed, applications were assigned and distributed to reviewers from other departments. The peer reviewers carefully read and rated the applications and submitted the results to Innovation Program staff, who then compiled and distributed the applications and resulting ProGrid reports to peer Review Panel members. ProGrid software was used to store the peer reviewer ratings.

The Review Panel results and recommendations were prepared by the Innovation Program Manager and administrative support staff, reviewed by the Director, University Research and Strategic Investments, and submitted to senior management for review prior to being presented to the Minister of Innovation and Science.

Decisions by the Minister were communicated to award recipients, Innovation and Science senior management, the Review Panel and Innovation Program staff, throughout the Government of Alberta and to the public.

Key Corporate Activities

Measure: Innovation and Science Employee Satisfaction and Understanding of Contribution

An external survey firm (Research Innovations Inc.) designs and administers all aspects of the survey in consultation with the Personnel Administration Office. Survey results are accurate within plus or minus five per cent, at a 95 per cent confidence level. The information is not audited.

The source document, Government of Alberta 2004 Corporate Employee Survey: Results for Innovation and Science Employees (Research Innovations Inc.), provides detailed information about the survey methodology.

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MINISTRY OF INNOVATION AND SCIENCE
CONSOLIDATED FINANCIAL STATEMENTS
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AUDITOR
GENERAL
Alberta

Auditor's Report

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Innovation and Science as at March 31, 2005 and the consolidated statements of operations and cash flow for the year then ended. These financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Innovation and Science as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 20, 2005

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2005

(In thousands)

	2005		2004
	Budget	Actual	Actual
REVENUES (Note 2)			
Internal Government Transfers	$ 69,285	$ 69,285	$ 66,797
Transfers from Government of Canada	-	374	-
Investment Income	840	956	951
Other Revenue (Note 7)	35,744	34,162	31,595
Total REVENUES	105,869	104,777	99,343
EXPENSES- Directly Incurred (Note 2)			
Operations and Policy Implementation	11,466	10,010	8,069
Innovation Program	7,000	737	-
Alberta Science and Research Authority:			
Investing in Energy Research			
Alberta Energy Research Institute			
Climate Change	6,000	7,295	6,564
Energy Research Strategy	8,595	7,341	5,492
Investing in Life Sciences			
Prion Research	-	38,000	-
Alberta Agricultural Research Institute	8,675	8,629	8,609
Alberta Forestry Research Institute	2,510	1,615	2,598
Investing in Information and Communications Technology			
iCORE Inc. (Informatics Circle of Research Excellence)	10,110	10,200	9,737
Investing in Research Capacity			
Alberta Science and Research Investment Program	33,495	37,780	37,949
Technology Commercialization Initiatives	3,615	6,620	4,053
Alberta Research Council Inc.			
Core Research Funding	27,082	27,862	27,135
Contract Research	36,075	31,710	26,609
Ministry Support Services	6,266	4,279	4,411
Total Program Expenses	160,889	192,078	141,226
Other Expenses			
Transfer to the Alberta Heritage Science and Engineering Research Endowment Fund	-	-	21,430
Valuation Adjustment - Provision for Vacation Pay	-	99	-
Total Other Expenses	-	99	21,430
Total EXPENSES	160,889	192,177	162,656
NET OPERATING RESULTS FROM CONTINUING OPERATIONS	(55,020)	(87,400)	(63,313)
OTHER			
Operating Loss from Discontinued Operations (Note 3)	-	554	2,280
Writedown of Tangible Capital Assets (Note 3)	-	4,591	699
Gain on Disposal of Tangible Capital Assets	-	(95)	-
Total OTHER	-	5,050	2,979
NET OPERATING RESULTS	$ (55,020)	$ (92,450)	$ (66,292)

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2005

(In thousands)

	2005	2004
ASSETS		
Cash (Note 4)	$ 27,027	$ 16,362
Restricted Cash (Note 4)	899	1,361
Marketable Securities (Note 5)	170	775
Accounts Receivable (Note 6)	12,387	10,294
	40,483	28,792
Tangible Capital Assets (Note 8)	14,435	16,690
	$ 54,918	$ 45,482
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 66,962	$ 15,095
Holdback Liability	485	795
Unearned Revenue	4,878	3,837
Deferred Contributions (Note 9)	899	1,361
Current Portion of Long-Term Debt (Note 11)	447	423
	73,671	21,511
Long-Term Debt (Note 11)	273	721
Accumulated Provision for Project Abandonment (Note 12)	263	1,186
	74,207	23,418
NET ASSETS		
Net Assets, Beginning of Year	22,064	22,509
Net Operating Results	(92,450)	(66,292)
Transfer to Alberta Agriculture, Food and Rural Development	(139)	-
Net Transfers (to) from General Revenue	51,236	65,847
Net Assets, End of Year	(19,289)	22,064
	$ 54,918	$ 45,482

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2005

(In thousands)

	2005	2004
OPERATING TRANSACTIONS		
Net Operating Results from Continuing Operations	$ (87,400)	$ (63,313)
Non-Cash Items:		
Amortization	1,562	1,749
Valuation Adjustments	99	-
Write down of Long Term Investments	-	250
Write down of Marketable Securities	557	70
Purchase of Marketable Securities	(212)	(322)
Gain on Sale of Marketable Securities	(578)	(637)
Proceeds from Sale of Marketable Securities	838	876
	(85,134)	(61,327)
Increase in Current Portion of Long Term Debt	24	22
(Increase) / Decrease in Accounts Receivable	(2,093)	170
Increase / (Decrease) in Accounts Payable and Accrued Liabilities	51,768	(7,891)
Decrease in Holdback Liability	(310)	(1,747)
Increase in Unearned Revenue	1,041	335
(Decrease) / Increase in Deferred Contributions	(462)	66
Decrease in Accumulated Provision for Project Abandonment	(923)	(14)
Cash Provided by Continuing Operations	(36,089)	(70,386)
Net Loss for the year from Discontinued Operations	(554)	(2,280)
Amortization	889	936
Cash Used by Discontinued Operations (Note 3)	335	(1,344)
CASH PROVIDED (APPLIED TO) BY OPERATING TRANSACTIONS [1]	(35,754)	(71,730)
CAPITAL TRANSACTIONS		
Acquisition of Tangible Capital Assets (Schedule 2)	(4,924)	(3,239)
Tangible Capital Assets Transferred to Other Ministries	-	115
Tangible Capital Assets Transferred from Other Ministries	-	-
Proceeds from Disposal of Tangible Capital Assets	93	20
CASH PROVIDED (APPLIED TO) BY CAPITAL TRANSACTIONS	(4,831)	(3,104)
INVESTING TRANSACTIONS		
Decrease / (Increase) in Restricted Cash	462	(66)
Repayment of Long Term Debt	(448)	(424)
CASH PROVIDED (APPLIED TO) BY INVESTING TRANSACTIONS	14	(490)
FINANCING TRANSACTIONS		
Net Transfers (to) from General Revenue	51,236	65,847
CASH PROVIDED (APPLIED TO) BY FINANCING TRANSACTIONS	51,236	65,847
INCREASE (DECREASE) IN CASH	10,665	(9,477)
CASH, BEGINNING OF YEAR	16,362	25,839
CASH, END OF YEAR	$ 27,027	$ 16,362

The accompanying notes and schedules are part of these financial statements.

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[1] Cash used by operating transactions includes $554 from discontinued operations (2004 - $2,280).

MINISTRY OF INNOVATION AND SCIENCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

Note 1 Authority and Purpose

The *Government Organization Act* and its regulations have designated the Minister of Innovation and Science as responsible for various Acts. To fulfil these responsibilities, the Minister administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Innovation and Science.

Organization:	Authority:
Department of Innovation and Science	*Government Organization Act*
Alberta Science and Research Authority	*Alberta Science and Research Authority Act*
Alberta Research Council Inc. including its wholly owned subsidiary C-FER Technologies (1999) Inc.	*Alberta Science and Research Authority Act*
iCORE Inc.	*Alberta Science and Research Authority Act*

The purpose of the Ministry of Innovation and Science (the Ministry) is to enhance the contribution of science, research, development and commercialization to the sustainable prosperity and quality of life of all Albertans.

As per Order in Council 103/2005, all shares in Alberta Research Council Inc. and iCORE Inc. will be transferred from the Alberta Science and Research Authority to the Ministry of Innovation and Science, effective April 1, 2005.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

a) Reporting Entity

The reporting entity is the Ministry of Innovation & Science (Ministry) and includes the operations of the Department of Innovation & Science and the Alberta Science and Research Authority, including its subsidiaries the Alberta Research Council Inc. and iCORE Inc. The financial statements for the individual entities provide more detailed information about the operations of each entity.

The Alberta Heritage Foundation for Science and Engineering Research (AHFSER) and the Alberta Heritage Foundation for Medical Research (AHFMR) and its subsidiary the Alberta Foundation for Health Research (AFHR) are required to forward a copy of their annual reports to the Minister for tabling in the Legislature. However, the financial statements of AHFSER, AHFMR and AFHR are not consolidated in these financial statements.

b) Method of Consolidation

The activities of the entities within the Ministry are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between consolidated entities have been eliminated.

c) Basis of Financial Reporting

Revenues - All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue.

Royalties and licensing fee revenues are recognized when the amounts can be reasonably estimated and there is reasonable assurance of collectability of proceeds.

Internal Government Transfers - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Dedicated Revenue - Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues are shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Ministry may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

c) Basis of Financial Reporting (cont'd)

Expenses
Grants – Grants are recorded as expenses when authorized and when all eligibility conditions have been satisfied.

Directly Incurred - Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Incurred by Others - Services contributed by other entities in support of Ministry operations are disclosed in Schedule 4.

Assets - Financial assets of the Ministry include financial claims, such as advances to and receivables from other organizations, employees and other individuals.

The fair values of marketable securities are estimated to approximate their carrying values.

Assets acquired by right are not included in these statements. Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100,000 and the threshold for all other tangible capital assets is $5,000 (2004 - $15,000).

Expenses for patents owned by the Ministry as a result of research activity are not capitalized due to the uncertain value of benefits that may accrue to the Ministry.

Expenses on the acquisition or development of other intangible assets including intellectual capital are not capitalized as currently there is no acceptable methodology for measuring the value of future benefits accruing to the Ministry.

Liabilities - Liabilities represent all financial claims payable by the Ministry at fiscal year end. Under certain joint participation agreements the Ministry will incur certain costs when projects are abandoned.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

c) Basis of Financial Reporting (cont'd)

Net Assets - Net assets represent the difference between the value of assets held by the Ministry and its liabilities.

Valuation of Financial Assets and Liabilities - Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, restricted cash, marketable securities, accounts receivable, accounts payable, accrued liabilities, holdback liability and unearned revenue are estimated to approximate their book values because of the short-term nature of these instruments.

The fair value of long-term debt approximates its carrying value as interest rates approximate the market rate.

Note 3 Discontinued Operations

(In thousands)

Effective March 31, 2005, Alberta Research Council closed the operations of the Biologics business unit.

The loss on discontinued operations is as follows:

	2005
Revenue	$ 3,763
Expense	4,317
Operating loss from discontinued operations	(554)
Gain on disposal of tangible capital assets	25
Write down of tangible capital assets	(4,591)
	$ (5,120)

On the Consolidated Statement of Operations, actual results for discontinued operations are reported separately from continuing operations and are reported on a net basis. Prior year results have been reclassified to reflect this change.

Schedule 3 presents operating results without segregating discontinued operations in order to provide a comparison to budget.

Note 4 Cash

(In thousands)

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Minister of Finance administers the Fund. All cash receipts of the Department of Innovation and Science are deposited into the Fund and all cash disbursements made by the Department of Innovation and Science are paid from the Fund. Net transfers to/from General Revenues is the difference between all cash receipts and all cash disbursements made.

Cash consists primarily of the Alberta Science and Research Authority and its subsidiaries deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is invested primarily in short-term and mid-term fixed income securities with a maximum term to maturity of five years. Due to the short-term nature of the CCITF investments, the carrying value approximates fair value. Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on prevailing market interest rates.

Interest of $956 (2004 – $951) earned on the cash balance of the Ministry's CCITF accounts has been credited to the accounts and is reported in these financial statements.

The Ministry has a Restricted Cash balance of $899 (2004 - $1,361) related to specific research projects and programs as disclosed in Note 9.

Note 5 Marketable Securities

(In thousands)

Marketable securities of $170 (2004 - $775) consist of investments in shares of private companies; the market value of $383 (2004 - $1,090) approximates fair value.

Note 6 Accounts Receivable

(In thousands)

	2005			2004
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Commercial	$ 11,885	$ 547	$ 11,338	$ 9,674
Federal Government	374		374	-
Accountable Advances	7	-	7	2
Alberta Government Departments and Agencies	668	-	668	618
	$ 12,934	$ 547	$ 12,387	$ 10,294

Accounts receivable are unsecured and non-interest bearing.

Note 7 Contract Revenue

(In thousands)

During the year, the Alberta Research Council Inc. provided $147 (2004 - $425) of services in exchange for shares and warrants (see Note 14) of a public company.

Note 8 Tangible Capital Assets

(In thousands)

		2005			2004
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	Indefinite	$ 566	$ -	$ 566	$ 566
Building [1]	30 years	3,830	441	3,389	1,732
Equipment - Other [2]	3 to 20 years	39,470	29,781	9,689	8,996
Computer Hardware / Software	3 to 5 years	2,721	2,541	180	169
Leasehold Improvements	25 years	9,283	8,672	611	5,227
		$ 55,870	$ 41,435	$ 14,435	$ 16,690

(1) The Alberta Research Council is currently constructing a new Agriculture Fibre Processing Facility at the Mill Woods Building. The total cost of the facility is expected to be $4,390 and will be completed by the end of 2005. The total costs incurred to March 31, 2005 were $1,711 and are recorded under Building. The Building will be transferred to Alberta Infrastructure and Transportation upon completion.

(2) Equipment also includes furniture and fixtures.

Note 9 Deferred Contributions

(In thousands)

Deferred Contributions $899 (2004 - $1,361) represent unspent contributions that are subject to externally imposed restrictions related to specific research projects or programs.

	2005	2004
Alberta Agricultural Research Institute Development Programs	$ 630	$ 854
Alberta Research Council Inc. Canadian International Development Agency Project	269	507
	$ 899	$ 1,361

Note 10 Government Restructuring

(In thousands)

As a result of government restructuring announced on November 24, 2004, the Office of the Corporate Chief Information Officer was transferred from the Department of Innovation and Science to the Department of Restructuring and Government Efficiency.

Comparatives for 2004 have been restated as if the Department had always been assigned its current responsibilities.

Net assets as previously reported at March 31, 2004	$	181,798
Transfer to the Department of Restructuring and Government Efficiency		159,734
Net assets as restated at April 1, 2004	$	22,064

Note 11 Long-Term Debt

(In thousands)

	2005	2004
5.37% mortgage, payable in monthly installments of $39 including interest, due October 1, 2005.	$ 720	$ 1,144
Less current portion	447	423
	$ 273	$ 721

A demand debenture has been pledged as collateral for the mortgage including:

- a fixed charge over land, building and equipment with a net book value of $3,242 (2004 - $3,172),
- a floating charge over other assets,
- an assignment of insurance proceeds, and
- a general security agreement registered under the *Personal Property Security Act* creating a floating charge over all property and assets, both present and future.

The following estimated principal repayments during the next two years and in total are based on the assumption that the mortgage will be renewed under similar terms and conditions:

Year	Repayments
2006	447
2007	273
	$ 720

Note 12 Accumulated Provision for Future Project Abandonment

(In thousands)

Under joint participation agreements, the Ministry will incur certain costs when wells and experimental projects are abandoned. Management's estimate of costs for future abandonment is $263 (2004 – $1,186).

Note 13 Contractual Obligations

(In thousands)

	2005	2004
Research Grants	53,964	75,728
General Service Contracts	6,143	12
Long-term Leases	356	200
	$ 60,463	$ 75,940

The aggregate amount payable for the unexpired terms of these contractual obligations are as follows:

Year	Research Grants	General Service Contracts	Leases	Total
2006	$ 26,798	$ 5,275	$ 138	$ 32,211
2007	15,435	868	97	16,400
2008	7,988	-	63	8,051
2009	3,608	-	51	3,659
2010	135	-	7	142
Thereafter	-	-	-	-
	$ 53,964	$ 6,143	$ 356	$ 60,463

Note 14 Warrants and Options

As part of the consideration for granting various licenses, the Ministry (through the Alberta Research Council Inc.) has received a number of options and warrants to acquire common shares of public companies.

The Alberta Research Council Inc. is subject to market risk with these stock options and warrants. As a result, the value of these financial instruments will fluctuate as a result of changes in market prices.

Note 15 Contingencies

(In thousands)

At March 31, 2005, the Ministry is a defendant in two legal claims (2004 – two legal claims). All of these claims have specified amounts totalling $52,200 (2004 – $52,200). The resulting loss, if any, for these claims cannot be determined.

Note 16 Defined Benefit Plans

(In thousands)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $2,823 for the year ending March 31, 2005 (2004 – $2,528).

At December 31, 2004, the Management Employees Pension Plan reported a deficiency of $268,101 (2003 – $290,014) and the Public Service Pension Plan reported a deficiency of $450,068 (2003 – $584,213). At December 31, 2004, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $9,404 (2003 – $9,312).

The Ministry also participates in two multi-employer Long-Term Disability Income Continuance Plans. At March 31, 2005, the Bargaining Unit Plan reported an actuarial deficiency of $11,817 (2004 – $9,766) and the Management, Opted Out and Excluded Plan an actuarial surplus of $3,208 (2004 – actuarial surplus of $1,298). The expense for these two plans is limited to employer's annual contributions for the year.

Note 17 Comparative Figures

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

Note 18 Approval of Financial Statements

The Deputy Minister and the Chief Financial Officer for the Ministry of Innovation and Science approved the financial statements.

MINISTRY OF INNOVATION AND SCIENCE SCHEDULE TO FINANCIAL STATEMENTS

CONSOLIDATED SCHEDULE OF EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT FOR THE YEAR ENDED MARCH 31, 2005

Schedule 1

(In thousands)

	2005		2004
	Budget	Actual	Actual
OBJECT			
Salaries, Wages and Employee Benefits	$ 47,364	$ 47,855	$ 43,728
Supplies and Services	38,884	27,750	24,583
Grants	71,263	114,140	70,688
Financial Transactions and Other	148	771	478
Amortization of Tangible Capital Assets	3,230	1,562	1,749
Valuation Adjustments	-	99	-
Transfer to the Alberta Heritage Science and Engineering Research Endowment Fund	-	-	21,430
Total VOTED AND STATUTORY EXPENSES	$ 160,889	$ 192,177	$ 162,656

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED SCHEDULE OF OPERATIONS BY ENTITY
AS AT MARCH 31, 2005

Schedule 2

(In thousands)

	2005					2004
	Estimates	Adjustment	Voted Supplementary [a]	Authorized Budget	Actual	Actual
REVENUES						
Department	$ 69,285	$ -	$ -	$ 69,285	$ 69,293	$ 66,811
Alberta Science and Research Authority	135,981	-	-	135,981	141,657	134,395
Consolidation Adjustments	(99,397)	-	-	(99,397)	(106,173)	(101,863)
Total REVENUES	105,869	-	-	105,869	104,777	99,343
EXPENSES						
Program						
Voted						
Department	124,129	-	38,000	162,129	158,941	113,032
Statutory						-
Department	-	-	-	-	99	21,430
Alberta Science and Research Authority	136,157	-	-	136,157	139,310	130,057
Consolidation Adjustments	(99,397)	-	-	(99,397)	(106,173)	(101,863)
Total Program Expenses	160,889	-	38,000	198,889	192,177	162,656
OTHER						
Operating Loss from Discontinued Operations (Note 3)					554	2,280
Writedown of Tangible Capital Assets (Note 3)	-	-	-	-	4,591	699
Gain on Disposal of Tangible Capital Assets	-	-	-	-	(95)	-
Total OTHER	-	-	-	-	5,050	2,979
NET OPERATING RESULTS	$ (55,020)	$ -	$ (38,000)	$ (93,020)	$ (92,450)	$ (66,292)
EQUIPMENT/INVENTORY PURCHASES						
Department	300	-	-	300	47	50
Alberta Science and Research Authority	3,346	-	-	3,346	4,877	3,189
Total EQUIPMENT/INVENTORY PURCHASES	$ 3,646	$ -	$ -	$ 3,646	$ 4,924	$ 3,239

(a) A Supplementary Estimate was approved on March 24, 2005. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act* (for net budgeted initiatives).

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED SCHEDULE OF SUPPLEMENTARY INFORMATION - OPERATING RESULTS FOR THE YEAR ENDED MARCH 31, 2005

Schedule 3

	(In thousands) 2005		
	Per Consolidated Statement of Operations		
	Budget	Actual	Actual (Gross Basis)
REVENUES (Note 2)			
Internal Government Transfers	$ 69,285	$ 69,285	$ 69,285
Transfers from Government of Canada		374	374
Investment Income	840	956	956
Other Revenue	35,744	34,162	37,925
Total REVENUES	105,869	104,777	108,540
EXPENSES- Directly Incurred (Note 2)			
Operations and Policy Implementation	11,466	10,010	10,010
Innovation Program	7,000	737	737
Alberta Science and Research Authority:			
Investing in Energy Research			
Alberta Energy Research Institute			
Climate Change	6,000	7,295	7,295
Energy Research Strategy	8,595	7,341	7,341
Investing in Life Sciences			
Prion Research	-	38,000	38,000
Alberta Agricultural Research Institute	8,675	8,629	8,629
Alberta Forestry Research Institute	2,510	1,615	1,615
Investing in Information and Communications Technology			
iCORE Inc. (Informatics Circle of Research Excellence)	10,110	10,200	10,200
Investing in Research Capacity			
Alberta Science and Research Investment Program	33,495	37,780	37,780
Technology Commercialization Initiatives	3,615	6,620	6,620
Alberta Research Council Inc.			
Core Research Funding	27,082	27,862	26,812
Contract Research	36,075	31,710	37,077
Ministry Support Services	6,266	4,279	4,279
Total Program Expenses	160,889	192,078	196,395
Other Expenses			
Transfer to the Alberta Heritage Science and Engineering Research Endowment Fund	-	-	-
Valuation Adjustment - Provision for Vacation Pay	-	99	99
Total Other Expenses	-	99	99
Total EXPENSES	160,889	192,177	196,494
OTHER			
Operating Loss from Discontinued Operations (Note 3)	-	554	-
Writedown of Tangible Capital Assets (Note 3)	-	4,591	4,591
Gain on Disposal of Tangible Capital Assets	-	(95)	(95)
Total OTHER	-	5,050	4,496
NET OPERATING RESULTS	$ (55,020)	$ (92,450)	$ (92,450)

The accompanying notes and schedules are part of these financial statements

MINISTRY OF INNOVATION AND SCIENCE

CONSOLIDATED SCHEDULE OF RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED MARCH 31, 2005

Schedule 4

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

(In thousands)

	Other Entities	
	2005	2004
REVENUES		
Lottery Fund	$ 69,285	$ 66,797
Grants	1,351	1,423
	$ 70,636	$ 68,220
EXPENSES - DIRECTLY INCURRED		
Supplies and Services	$ 1,642	$ 1,696
Grants	1,179	828
	$ 2,821	$ 2,524
TANGIBLE CAPITAL ASSETS TRANSFERRED TO/FROM ALBERTA GOVERNMENT DEPARTMENTS AND AGENCIES	$ 139	$ 115
RECEIVABLES DUE FROM ALBERTA GOVERNMENT DEPARTMENTS AND AGENCIES	$ 663	$ 590
PAYABLES DUE TO ALBERTA GOVERNMENT DEPARTMENTS AND AGENCIES	$ 169	$ 103

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service.

(In thousands)

	Other Entities	
	2005	2004
EXPENSES - INCURRED BY OTHERS		
Accommodations from the Ministry of Infrastructure & Transportation	$ 14,835	$ 16,401
Legal services from the Ministry of Justice	77	86
Air Transportation Services/Executive Vehicle from Infrastructure and Transportation	7	-
	$ 14,919	$ 16,487

MINISTRY OF INNOVATION AND SCIENCE SCHEDULE TO FINANCIAL STATEMENTS

CONSOLIDATED SCHEDULE OF ALLOCATED COSTS FOR THE YEAR ENDED MARCH 31, 2005

Schedule 5

(In thousands)

	2005					2004
		Expenses Incurred by Others		Valuation Adjustment		
	Expenses [1]	Accommodation Costs [2]	Legal Costs [3]	Vacation Pay [4]	Total	Total
Program						
Alberta Science and Research Authority (ASRA)						
Research and Innovation						
Operations and Policy Implementation	$ 10,010	$ 306	$ 74	$ 44	10,434	8,305
Innovation Program	737	-	-	-	737	-
Alberta Science and Research Authority						
Investing in Energy Research						
Alberta Energy Research Institute:						
- Climate Change	7,295	-	-	-	7,295	6,564
- Energy Research Strategy	7,341	-	-	-	7,341	5,492
Investing in Life Sciences						
Prion Research	38,000				38,000	-
Alberta Agricultural Research Institute	8,629	-	-	-	8,629	8,609
Alberta Forestry Research Institute	1,615	-	-	-	1,615	2,598
Investing in Information and Communications Technology						
iCORE Inc. (Informatics Circle of Research Excellence)	10,200	38	-	-	10,238	9,776
Investing in Research Capacity						
Alberta Science and Research Investment Program	37,780	-	-	-	37,780	37,949
Technology Commercialization Initiatives	6,620	-	-	-	6,620	4,053
Alberta Research Council Inc.	59,572	14,393	-	-	73,965	74,641
Ministry Support Services	4,279	98	3	55	4,435	4,614
	192,078	14,835	77	99	207,089	162,601
Statutory & Other						
Transfer to the Alberta Heritage Science and Engineering Research Endowment Fund	-	-	-	-	-	21,430
Operating Loss from Discontinued Operations (Note 3)	554	-	-	-	554	-
Writedown of Tangible Capital Assets (Note 3)	4,591	-	-	-	4,591	-
Gain on Disposal of Tangible Capital Assets	(95)	-	-	-	(95)	-
Total Expenses	$ 197,128	$ 14,835	$ 77	$ 99	$ 212,139	$ 184,031

[1] Expenses - Directly Incurred as per Schedule 3, excluding valuation adjustments.

[2] Costs shown for Accommodation provided by the Ministry of Infrastructure and Transportation.

[3] Costs shown for Legal Services provided by the Ministry of Justice.

[4] Valuation Adjustments as per Statement of Operations.

DEPARTMENT OF INNOVATION AND SCIENCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flow

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Schedule of Budget

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Schedule of Related Party Transactions

Schedule of Allocated Costs

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Minister of Innovation and Science

I have audited the statement of financial position of the Department of Innovation and Science as at March 31, 2005 and the statements of operations and cash flow for the year then ended. These financial statements are the responsibility of the Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
May 20, 2005

DEPARTMENT OF INNOVATION AND SCIENCE

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2005

(In thousands)

	2005		2004
	Budget (Schedule 3)	Actual	Actual
REVENUES (Note 2 and Schedule 1)			
Internal Government Transfers	$ 69,285	$ 69,285	$ 66,797
Other Revenue	-	8	14
Total REVENUES	69,285	69,293	66,811
EXPENSES - Directly Incurred (Note 2 and Schedules 2 and 4)			
Voted Operating Expenses			
Ministry Support Services	6,266	4,279	4,411
Research and Development	117,863	154,662	108,621
Total Voted Operating Expenses	124,129	158,941	113,032
Statutory			
Transfer to the Alberta Heritage Science and Engineering Research Endowment Fund	-	-	21,430
Provision for Vacation Pay	-	99	-
Total Statutory Expenses	-	99	21,430
Total EXPENSES	124,129	159,040	134,462
OTHER			
Loss on Disposal of Tangible Capital Assets	-	-	-
Total OTHER	-	-	-
NET OPERATING RESULTS	$ (54,844)	$ (89,747)	$ (67,651)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF INNOVATION AND SCIENCE

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2005

	(In thousands) 2005	(In thousands) 2004
ASSETS		
Accounts Receivable (Note 3)	44	56
Tangible Capital Assets (Note 4)	39	26
	$ 83	$ 82
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 41,219	$ 2,707
	41,219	2,707
NET ASSETS		
Net Assets, Beginning of Year	(2,625)	(821)
Net Operating Results	(89,747)	(67,651)
Net Transfers from General Revenues	51,236	65,847
Net Assets, End of Year	(41,136)	(2,625)
	$ 83	$ 82

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF INNOVATION AND SCIENCE

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2005

	(In thousands)	
	2005	2004
OPERATING TRANSACTIONS		
Net Operating Results	$ (89,747)	$ (67,651)
Non-Cash Items Included in Net Operating Results:		
Amortization of Capital Assets	34	76
Provision for Vacation Pay	99	-
	(89,614)	(67,575)
Decrease in Accounts Receivable	12	365
Increase in Accounts Payable and Accrued Liabilities	38,413	1,298
CASH USED BY OPERATING TRANSACTIONS	(51,189)	(65,912)
CAPITAL TRANSACTIONS		
Acquisitions of Tangible Capital Assets (Schedule 4)	(47)	(50)
Capital Assets Transferred to Other Ministries	-	115
Capital Assets Transferred from Other Ministries	-	-
CASH PROVIDED (APPLIED TO) BY CAPITAL TRANSACTIONS	(47)	65
FINANCING TRANSACTIONS		
Net Transfers (to) from General Revenues	51,236	65,847
CASH PROVIDED BY FINANCING TRANSACTIONS	51,236	65,847
INCREASE (DECREASE) IN CASH	-	-
CASH, BEGINNING OF YEAR	-	-
CASH, END OF YEAR	$ -	$ -

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF INNOVATION AND SCIENCE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

Note 1 Authority and Purpose

The Department of Innovation and Science operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000.

The purpose of the Department of Innovation and Science (Department) is to enhance the contribution of science, research, development and commercialization to the sustainable prosperity and quality of life of all Albertans.

As per Order in Council 103/2005, the Net Assets in the amount of $2,782 and programs of the Alberta Science and Research Authority (excluding the Alberta Research Council Inc. and iCORE Inc.) will be transferred from ASRA to the Department of Innovation and Science, effective April 1, 2005.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

a) Reporting Entity

The reporting entity is the Department of Innovation and Science, which is part of the Ministry of Innovation and Science and for which the Minister of Innovation and Science is accountable. The other entity reporting to the Minister is the Alberta Science and Research Authority. The activity of the Alberta Science and Research Authority is not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

a) Reporting Entity (cont'd)

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfers to/from General Revenues is the difference between all cash receipts and all cash disbursements made.

b) Basis of Financial Reporting

Revenues - All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Dedicated Revenue - Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues are shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program.

Expenses
Grants – Grants are recorded as expenditures when authorized and when all eligibility conditions have been satisfied.

Directly Incurred - Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

b) Basis of Financial Reporting (cont'd)

Expenses (cont'd)
In addition to program expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Incurred by Others - Services contributed by other entities in support of the Department's operations are disclosed in Schedule 6.

Assets - Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100,000 and the threshold for all other tangible capital assets is $5,000 (2004 - $15,000).

Liabilities - Liabilities represent all financial claims payable by the Department at fiscal year end.

Net Assets - Net assets represent the difference between the value of assets held by the Department and its liabilities.

Valuation of Financial Assets and Liabilities - Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities, and holdback liability are estimated to approximate their book values because of the short-term nature of these instruments.

Note 3 Accounts Receivable

(In thousands)

	2005			2004
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accountable Advances	$ 7	$ -	$ 7	$ 2
Alberta Government Departments and Agencies	37	-	37	54
	$ 44	$ -	$ 44	$ 56

Accounts receivable are unsecured and non-interest bearing.

Note 4 Tangible Capital Assets

(In thousands)

		2005			2004
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment - Other	5 to 10 years	$ 102	$ 102	$ -	$ 5
Computer Hardware and Software	3 to 10 years	152	113	39	21
		$ 254	$ 215	$ 39	$ 26

Note 5 Government Restructuring

(In thousands)

As a result of government restructuring announced on November 24, 2004, the Office of the Corporate Chief Information Officer was transferred from the Department of Innovation and Science to the Department of Restructuring and Government Efficiency.

Comparatives for 2004 have been restated as if the Department had always been assigned its current responsibilities.

Net assets as previously reported at March 31, 2004	$	157,110
Transfer to the Department of Restructuring and Government Efficiency		159,735
Net assets as restated at April 1, 2004	$	(2,625)

Note 6 Contractual Obligations

(In thousands)

	2005	2004
Contracts	3,463	12
	$ 3,463	$ 12

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

Year	Service Contracts
2005	$ 2,595
2006	868
Thereafter	-
	$ 3,463

Note 7 Defined Benefit Plans
(In thousands)

The Department participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $591 for the year ended March 31, 2005 (2004 - $515).

At December 31, 2004, the Management Employees Pension Plan reported a deficiency of $268,101 (2003 – $290,014) and the Public Service Pension Plan reported a deficiency of $450,068 (2003 - $584,213). At December 31, 2004, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $9,404 (2003 - $9,312).

The Department also participates in two multi-employer Long-Term Disability Income Continuance Plans. At March 31, 2005, the Bargaining Unit Plan reported an actuarial deficiency of $11,817 (2004 – $9,766) and the Management, Opted Out and Excluded Plan an actuarial surplus of $3,208 (2004 – $1,298). The expense for these two plans is limited to employer's annual contributions for the year.

Note 8 Comparative Figures

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

Note 9 Approval of Financial Statements

The Deputy Minister and the Chief Financial Officer approved the financial statements.

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE OF REVENUES
FOR THE YEAR ENDED MARCH 31, 2005

Schedule 1

(In thousands)

	2005		2004
	Budget	Actual	Actual
Contribution from Lottery Fund	$ 69,285	$ 69,285	$ 66,797
Other Revenue	-	8	14
Total REVENUES	$ 69,285	$ 69,293	$ 66,811

SCHEDULE OF EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
FOR THE YEAR ENDED MARCH 31, 2005

Schedule 2

(In thousands)

	2005		2004
	Budget	Actual	Actual
VOTED:			
Salaries, Wages and Employee Benefits	$ 9,237	$ 8,117	$ 6,494
Supplies and Services	13,000	4,410	4,061
Grants	101,619	146,280	102,345
Financial Transactions and Other	98	100	56
Amortization of Tangible Capital Assets	175	34	76
	$ 124,129	$ 158,941	$ 113,032
STATUTORY:			
Transfer to the Alberta Heritage Science and Engineering Research Endowment Fund	-	-	21,430
Provision for Vacation Pay		99	$ -
	$ -	$ 99	$ 21,430
TOTAL OPERATING EXPENDITURE	**$ 124,129**	**$ 159,040**	**$ 134,462**

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE OF BUDGET
FOR THE YEAR ENDED MARCH 31, 2005

Schedule 3

(In thousands)

	2005				
	Estimates	Adjustment	Budget	Authorized Supplementary [(a)]	Authorized Budget
REVENUES:					
Internal Government Transfers	$ 69,285	$ -	$ 69,285	$ -	$ 69,285
Other Revenue	-	-	-	-	-
Total REVENUES	69,285	-	69,285	-	69,285
EXPENSES - DIRECTLY INCURRED					
Voted Operating Expenses					
Ministry Support Services	6,266	-	6,266	-	6,266
Research and Development	117,863	-	117,863	38,000	155,863
Total EXPENSES	124,129	-	124,129	38,000	162,129
OTHER					
Loss on Disposal of Tangible Capital Assets	-	-	-	-	-
Total OTHER	-	-	-	-	-
NET OPERATING RESULTS	$ (54,844)	$ -	$ (54,844)	$ (38,000)	$ (92,844)
EQUIPMENT/ INVENTORY PURCHASES	$ 300	$ -	$ 300	$ -	$ 300

(a) A Supplementary Estimate was approved on March 24, 2005. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act* (for net budgeted initiatives).

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE OF COMPARISON OF EXPENSES - DIRECTLY INCURRED, EQUIPMENT/ INVENTORY AND STATUTORY EXPENSES BY ELEMENT TO AUTHORIZED BUDGET FOR THE YEAR ENDED MARCH 31, 2005

Schedule 4

(In thousands)

	2005		
	Authorized Budget	Actual [(a)]	Unexpended / (Over Expended)
VOTED EXPENSES AND EQUIPMENT AND INVENTORY PURCHASES			
Program 1 Ministry Support Services			
1.0.1 Minister's Office	$ 340	$ 338	2
1.0.2 Deputy Minister's Office	435	431	4
1.0.3 Communications	654	640	14
1.0.4 Corporate Services			
- Operating Expense	4,837	2,870	1,967
- Equipment & Inventory Purchases	-	9	(9)
Program Total	6,266	4,288	1,978
Program 2 Research and Development			
2.1 Operations and Policy Implementation			
2.1.1 Innovation Implementation			
- Operating Expense	6,253	5,019	1,234
- Equipment & Inventory Purchases	300	18	282
2.1.2 Policy and Strategic Planning			
- Operating Expense	1,693	1,723	(30)
- Equipment & Inventory Purchases	-	20	(20)
2.1.3 Research Division	41,520	41,286	234
Total Sub-Program	49,766	48,066	1,700
2.2 Innovation Program			
2.2.1 Innovation Program	7,000	737	6,263
Total Sub-Program	7,000	737	6,263
2.3 Grant to the Alberta Science and Research Authority			
2.3.1 Grant to the Alberta Science and Research Authority			
- Operating Expense	30,112	36,612	(6,500)
- Operating Expense Funded by Lotteries	69,285	69,285	0
Total Sub-Program	99,397	105,897	(6,500)
Program Total	156,163	154,700	1,463
Total VOTED EXPENSES AND EQUIPMENT / INVENTORY PURCHASES	**$ 162,429**	**$ 158,988**	**3,441**
Operating Expense	92,844	89,656	3,188
Operating Expense Funded by Lotteries	69,285	69,285	-
Equipment and Inventory Purchases	300	47	253
	162,429	158,988	3,441
Total VOTED EXPENSES AND EQUIPMENT AND INVENTORY PURCHASES	**$ 162,429**	**$ 158,988**	**3,441**
STATUTORY EXPENSE			
Valuation Adjustments	$ -	$ 99	$ (99)
Total STATUTORY EXPENSE	$ -	$ 99	$ (99)
Total VOTED & STATUTORY EXPENSES AND EQUIPMENT / INVENTORY PURCHASES	**$ 162,429**	**$ 159,087**	**$ 3,342**

(a) Achievement bonuses of $372 were incurred during the fiscal year. The bonuses are reported in each program area.

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE OF SALARY AND BENEFITS DISCLOSURE FOR THE YEAR ENDED MARCH 31, 2005

Schedule 5

	2005				2004
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
Deputy Minister (4)	$ 159,998	$ 32,868	$ 31,544	$ 224,410	$ 250,730
Current Executives:					
Research (5)	132,216	19,438	25,469	177,123	188,896
Policy Development and Coordination (6)	121,519	30,013	24,036	175,568	190,234
Chief Financial Officer (7)	113,328	23,194	23,641	160,163	162,829
Innovation Implementation (8)	96,120	17,464	18,244	131,828	68,851

NOTES:

Prepared in accordance with Treasury Board Directive 03/2004

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include bonuses, vacation payments, overtime, and lump sum payments.

(3) Other non-cash benefits include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, WCB premiums, professional memberships and tuition fees.

(4) Automobile provided, no dollar amount included in benefits and allowances figures. Other cash benefits include a vacation payout of nil (2004 - $13,859 for the former Deputy Minister). This position was occupied by two individuals through the year.

(5) Other cash benefits include a vacation payout of nil (2004 - $9,505).

(6) Other cash benefits include a vacation payout of $12,295 (2004 - $16,631).

(7) Other cash benefits include a vacation payout of $6,535 (2004 - $10,183).

(8) Position was created on November 24, 2004. Position was vacant in February and March 2005. Other cash benefits include a vacation payout of nil (2004 - $13,258).

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE OF RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED MARCH 31, 2005

Schedule 6

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

(In thousands)

	Entities in the Ministry		Other Entities	
	2005	2004	2005	2004
REVENUES				
Lottery Fund	$ -	$ -	$ 69,285	$ 66,797
	$ -	$ -	$ 69,285	$ 66,797
EXPENSES - DIRECTLY INCURRED				
Grant to Alberta Science and Research Authority	$ 105,897	$ 101,813	$ -	$ -
Charges from Restructuring & Government Efficiency	-	-	1,340	1,451
Charges from Ministry of Finance	-	-	15	13
Charges from Ministry of Executive Council	-	-	52	-
Charges from Infrastructure & Transportation	-	-	15	17
	$ 105,897	$ 101,813	$ 1,422	$ 1,481
TANGIBLE CAPITAL ASSETS TRANSFERRED TO/FROM ALBERTA GOVERNMENT DEPARTMENTS AND AGENCIES	$ -	$ -	$ -	$ 115
RECEIVABLES DUE FROM ALBERTA GOVERNMENT DEPARTMENTS AND AGENCIES	$ 18	$ 54	$ 19	$ -
PAYABLES DUE TO ALBERTA GOVERNMENT DEPARTMENTS AND AGENCIES	$ 179	$ 1,146	$ 19	$ -

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements and are disclosed in Schedule 7.

(In thousands)

	Entities in the Ministry		Other Entities	
	2005	2004	2005	2004
EXPENSES - INCURRED BY OTHERS				
Accommodation from Alberta Infrastructure & Transportation	$ -	$ -	$ 405	$ 323
Legal services from Alberta Justice	-	-	64	71
Air Transportation Services/Executive Vehicle from Infrastructure & Transportation	-	-	7	-
	$ -	$ -	$ 476	$ 394

DEPARTMENT OF INNOVATION AND SCIENCE

SCHEDULE OF ALLOCATED COSTS
FOR THE YEAR ENDED MARCH 31, 2005

Schedule 7

(In thousands)

	2005					2004
		Expenses - Incurred by Others		Valuation Adjustments		
	Expenses [1]	Accommodation Costs [2]	Legal Services [3]	Vacation Pay [4]	Total Expenses	Total Expenses
PROGRAM						
Ministry Support Services	$ 4,279	$ 98	$ 3	$ 44	$ 4,424	$ 4,614
Science, Research and Development	154,662	307	61	55	155,085	108,812
	158,941	405	64	99	159,509	113,426
Statutory						
Transfer to the Alberta Heritage Science and Engineering Research Endowment Fund	-	-	-	$ -	-	21,430
Total Expenses	$ 158,941	$ 405	$ 64	$ 99	$ 159,509	$ 134,856

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[1] Expenses - Directly Incurred as per the Statement of Operations, excluding valuation adjustments.

[2] Costs shown are for Accommodation provided by Alberta Infrastructure & Transportation.

[3] Costs shown are for Legal Services provided by Alberta Justice.

[4] Valuation Adjustments as per Statement of Operations.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

Auditor's Report

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AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Management of the Alberta Science and Research Authority

I have audited the consolidated statement of financial position of the Alberta Science and Research Authority as at March 31, 2005 and the consolidated statements of operations and cash flow for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Alberta Science and Research Authority as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 20, 2005

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2005

(In thousands)

	2005		2004
	Budget	Actual	Actual
REVENUES (Note 2 and Schedule 3)			
Internal Government Transfers			
Transfer from Department - General Revenue Fund	$ 30,112	$ 36,612	$ 35,664
Transfer from Department - Lottery Fund	69,285	69,285	66,149
Sub-Total	99,397	105,897	101,813
Other Revenue			
Commercial Revenue (Note 7)	32,233	32,630	29,496
Contracts with Other Ministries	3,166	1,351	1,423
Transfers from Government of Canada	-	374	-
Technology and Production Sales	-	50	109
Investment Income	840	956	951
Various	345	399	603
Sub-Total	36,584	35,760	32,582
Total REVENUES	135,981	141,657	134,395
EXPENSES- Directly Incurred (Note 2 and Schedule 3)			
Program Expenses			
Operations and Policy Implementation	-	-	1,261
Investing in Energy Research			
Alberta Energy Research Institute	14,595	14,635	12,056
Investing in Life Sciences			
Alberta Agricultural Research Institute	8,675	8,629	8,609
Alberta Forestry Research Institute	2,510	1,615	2,598
Investing in Information and Communications Technology (ICT)			
iCORE Inc. (Informatics Circle of Research Excellence)	10,110	10,200	9,737
Investing in Research Capacity			
Alberta Science and Research Investments Program	33,495	37,780	37,949
Technology Commercialization Initiatives	3,615	6,620	4,103
Alberta Research Council Inc.			
Core Research Funding	27,082	26,812	27,135
Contract Research	36,075	33,019	26,609
Total EXPENSES	136,157	139,310	130,057
NET OPERATING RESULTS FROM CONTINUING OPERATIONS	(176)	2,347	4,338
OTHER			
Operating Loss from Discontinued Operations (Note 3)	-	554	2,280
Writedown of Tangible Capital Assets	-	4,591	699
Gain on Disposal of Tangible Capital Assets	-	(95)	-
Total OTHER	-	5,050	2,979
NET OPERATING RESULTS	$ (176)	$ (2,703)	$ 1,359

The accompanying notes and schedules are part of these financial statements.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2005

(In thousands)

	2005 (Schedule 2)	2004
ASSETS		
Cash (Note 4)	$ 27,027	$ 16,362
Restricted Cash (Note 4)	899	1,361
Marketable Securities (Note 5)	170	775
Accounts Receivable (Note 6)	12,536	11,434
	40,632	29,932
Tangible Capital Assets (Note 8)	14,396	16,664
	$ 55,028	$ 46,596
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 25,936	$ 13,584
Unearned Revenue	4,878	3,837
Holdback Liability	485	795
Deferred Contributions (Note 9)	899	1,361
Current Portion of Long-Term Debt (Note 10)	447	423
	32,645	20,000
Long-Term Debt (Note 10)	273	721
Accumulated Provision for Project Abandonment (Note 11)	263	1,186
	33,181	21,907
NET ASSETS		
Net Assets, Beginning of Year	$ 24,689	$ 23,330
Net Operating Results	(2,703)	1,359
Transfer to Alberta Agriculture, Food and Rural Development	(139)	-
Net Assets, End of Year	21,847	24,689
	$ 55,028	$ 46,596

The accompanying notes and schedules are part of these financial statements.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2005

	(In thousands) 2005	2004
OPERATING TRANSACTIONS		
Net Operating Results from Continuing Operations	$ 2,347	$ 4,338
Non-Cash Items included in Net Operating Results		
Amortization of Tangible Capital Assets	1,528	1,673
Write Down of Marketable Securities	557	70
Write Down of Long-Term Investments	-	250
Purchase of Marketable Securities	(212)	(322)
Gain on Sale of Marketable Securities	(578)	(637)
Proceeds from Sale of Marketable Securities	838	876
	4,480	6,248
Increase in Accounts Receivable	(1,102)	(971)
Increase / (Decrease) in Accounts Payable and Accrued Liabilities	12,352	(8,413)
Increase in Unearned Revenue	1,041	335
Decrease in Holdback Liability	(310)	(1,747)
(Decrease) / Increase in Deferred Contributions	(462)	66
Increase in Current Portion of Long-Term Debt	24	22
Decrease in Accumulated Provision for Project Abandonment	(923)	(14)
Cash Provided By Continuing Operations	15,100	(4,474)
Net loss for the year from Discontinued Operations	(554)	(2,280)
Amortization	889	936
Cash Used By Discontinued Operations (Note 3)	335	(1,344)
CASH PROVIDED BY OPERATING TRANSACTIONS	15,435	(5,818)
CAPITAL TRANSACTIONS		
Acquisition of Tangible Capital Assets (Schedule 3)	(4,877)	(3,189)
Proceeds from Disposal of Tangible Capital Assets	93	20
CASH PROVIDED (APPLIED TO) BY CAPITAL TRANSACTIONS	(4,784)	(3,169)
INVESTING TRANSACTIONS		
Decrease / (Increase) in Restricted Cash	462	(66)
Repayment of Long-Term Debt	(448)	(424)
CASH PROVIDED (APPLIED TO) BY INVESTING TRANSACTIONS	14	(490)
INCREASE (DECREASE) IN CASH	10,665	(9,477)
CASH, BEGINNING OF YEAR	16,362	25,839
CASH, END OF YEAR	$ 27,027	$ 16,362

The accompanying notes and schedules are part of these financial statements.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

Note 1 Authority and Purpose

(In thousands)

The Alberta Science and Research Authority is a provincial corporation established under the authority of the *Alberta Science and Research Authority Act*. This Act is the responsibility of the Ministry of Innovation and Science of the Province of Alberta.

The consolidated Alberta Science and Research Authority consists of the following organizations:

- Alberta Science and Research Authority
- Alberta Research Council Inc. including its wholly owned subsidiary C-FER Technologies (1999) Inc.
- iCORE Inc. (Alberta Informatics Circle of Research Excellence)

The purpose of the Alberta Science and Research Authority is to enhance the contribution of science, research and information technology to the sustainable prosperity and quality of life of all Albertans.

Order in Council 103/2005 approved the following transfers, which are effective April 1, 2005:

- all shares in Alberta Research Council Inc. and iCORE Inc. will be transferred from the Alberta Science and Research Authority to the Ministry of Innovation and Science.
- the Net Assets in the amount of $2,782 and programs of the Alberta Science and Research Authority (excluding the Alberta Research Council Inc. and iCORE Inc.) will be transferred from the Alberta Science and Research Authority to the Department of Innovation and Science.

Note 2 Summaries of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting.

a) Reporting Entity

The reporting entity is the Alberta Science and Research Authority which is part of the Ministry of Innovation and Science for which the Minister of Innovation and Science is accountable. The other entity reporting to the Minister is the Department of Innovation and Science. The activities of the Department of Innovation and Science are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

b) Basis of Consolidation

The activities of the entities within the Alberta Science and Research Authority are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Intra-entity revenue, expense, asset and liability accounts, and investing and financing transactions have been eliminated. The financial statements of the individual entities provide more detailed information about the operations of each entity.

c) Basis of Financial Reporting

Revenues - All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue.

Internal Government Transfers - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Expenses

Grants – Grants are recorded as expenditures when authorized and when all eligibility conditions have been satisfied.

Directly Incurred - Directly incurred expenses are those costs the Alberta Science and Research Authority has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Incurred by Others - Services contributed by other entities in support of the Alberta Science and Research Authority's operations are disclosed in Schedule 6.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

c) Basis of Financial Reporting (cont'd)

Assets - Financial assets of the Alberta Science and Research Authority are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the Alberta Science and Research Authority are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100,000 and the threshold for all other tangible capital assets is $5,000 (2004 - $15,000).

Expenses incurred for patents owned as a result of research activity are not capitalized due to the uncertain value of benefits that may accrue.

Expenses incurred on the acquisition or development of other intangible assets including intellectual capital are not capitalized, as there currently is not an acceptable methodology for measuring the value of future benefits accruing.

Liabilities - Liabilities represent all financial claims payable by the Alberta Science and Research Authority at fiscal year-end.

Net Assets - Net assets represent the difference between the value of assets held by the Alberta Science and Research Authority and its liabilities.

Valuation of Financial Assets and Liabilities - Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, accounts payable and accrued liabilities are estimated to approximate their book values because of the short-term nature of these instruments.

The fair value of long-term debt approximates its carrying value due to the fact that the interest rates approximate the market rate at March 31, 2005.

Note 3 Discontinued Operations

(In thousands)

Effective March 31, 2005, Alberta Research Council closed the operations of the Biologics business unit.

The loss on discontinued operations is as follows:

	2005
Revenue	$ 3,763
Expense	4,317
Operating loss from discontinued operations	(554)
Gain on disposal of tangible capital assets	25
Write down of tangible capital assets	(4,591)
	$ (5,120)

On the Consolidated Statement of Operations, actual results for discontinued operations are reported separately from continuing operations and are reported on a net basis. Prior year results have been reclassified to reflect this change.

Schedule 4 presents operating results without segregating discontinued operations in order to provide a comparison to budget.

Note 4 Cash and Restricted Cash

(In thousands)

Cash consists primarily of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is invested primarily in short-term and mid-term fixed income securities with a maximum term to maturity of five years. Due to the short-term nature of the CCITF investments, the carrying value approximates fair value. Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on prevailing market interest rates.

Interest of $956 (2004 - $951) earned on the cash balance of the Alberta Science and Research Authority's CCITF accounts has been credited to the account, and is reported in these financial statements.

The Alberta Science and Research Authority has a Restricted Cash balance of $899 (2004 - $1,361) related to specific research projects and programs as disclosed in Note 9.

Note 5 Marketable Securities

(In thousands)

Marketable securities of $170 (2004 - $775) consist of investments in shares of private companies; the market value of $383 (2004 - $1,090) approximates fair value.

Note 6 Accounts Receivable

(In thousands)

	2005			2004
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Commercial	$ 11,885	$ 547	$ 11,338	$ 9,674
Federal Government	374	-	374	-
Alberta Government Departments and Agencies	824	-	824	1,760
	$ 13,083	$ 547	$ 12,536	$ 11,434

Accounts receivable are unsecured and non-interest bearing.

Note 7 Contract Revenue

(In thousands)

During the year, the Alberta Research Council Inc. provided $147 (2004 - $425) of services in exchange for shares and warrants (see Note 13) of public companies. The services were measured at the cost incurred.

Note 8 Tangible Capital Assets
(In thousands)

		2005			2004
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	Indefinite	$ 566	$ -	$ 566	$ 566
Building [1]	30 years	3,830	441	3,389	1,732
Equipment [2]	3-20 years	39,368	29,679	9,689	8,991
Computer Hardware / Software	3 years	2,569	2,428	141	148
Leasehold Improvements	25 years	9,283	8,672	611	5,227
		$ 55,616	$ 41,220	$ 14,396	$ 16,664

[1] The Alberta Research Council is currently constructing a new Agriculture Fibre Processing Facility at the Mill Woods Building. The total cost of the facility is expected to be $4,390 and will be completed by the end of 2005. The total costs incurred to March 31, 2005 were $1,711 and are recorded under Building. The Building will be transferred to Alberta Infrastructure and Transportation upon completion.

[2] Equipment also includes furniture and fixtures.

Note 9 Deferred Contributions
(In thousands)

Deferred Contributions $899 (2004 - $1,361) represent unspent contributions that are subject to externally imposed restrictions related to specific research projects or programs.

	2005	2004
Alberta Agricultural Research Institute Development Programs	$ 630	$ 854
Alberta Research Council Inc. Canadian International Development Agency Project	269	507
	$ 899	$ 1,361

Note 10 Long-Term Debt

(In thousands)

	2005	2004
5.37% mortgage, payable in monthly installments of $39 including interest	$ 720	$ 1,144
Less current portion	447	423
	$ 273	$ 721

A demand debenture has been pledged as collateral for the mortgage and term loan including:

- a fixed charge over land, building and equipment with a net book value of $3,242 (2004 - $3,172),
- a floating charge over other assets,
- an assignment of insurance proceeds, and
- a general security agreement registered under the *Personal Property Security Act* creating a floating charge over all property and assets, both present and future.

The following estimated principal repayments during the next two years and in total are based on the assumption that the mortgage will be renewed under similar terms and conditions:

Year	Repayments
2006	$ 447
2007	273
	$ 720

Note 11 Accumulated Provision for Future Project Abandonment

(In thousands)

Under joint participation agreements, the Alberta Science and Research Authority will incur certain costs when wells and experimental projects are abandoned. Management's estimate of costs for future abandonment is $263 (2004 – $1,186).

Note 12 Contractual Obligations
(In thousands)

As at March 31, 2005, the Alberta Science and Research Authority had grant, service contracts, and long-term lease commitments of $57,000 (2004 – $75,928).

	2005	2004
Research Grants	$ 53,964	$ 75,728
Service Contracts	2,680	-
Long-term Leases	356	200
	57,000	**75,928**

The aggregate amount payable for the unexpired terms of these contractual obligations are as follows:

Year	Grants	Service Contracts	Leases
2006	$ 26,798	$ 2,680	$ 138
2007	15,435	-	97
2008	7,988	-	63
2009	3,608	-	51
2010	135	-	7
Thereafter	-	-	-
	$ 53,964	$ 2,680	$ 356

Note 13 Warrants and Options

As part of the consideration for granting various licenses, the Alberta Research Council Inc. has received a number of options and warrants to acquire common shares of public companies.

The Alberta Research Council Inc. is subject to market risk with these stock options and warrants. As a result, the value of these financial instruments will fluctuate as a result of changes in market prices.

Note 14 Contingencies

(In thousands)

At March 31, 2005, the Alberta Science and Research Authority is a defendant in two legal claims (2004 – two legal claims). All of these claims have specified amounts totalling $52,200 (2004 – $52,200). The resulting loss, if any, for these claims cannot be determined.

Note 15 Defined Benefit Plans

(In thousands)

The Alberta Science and Research Authority participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Alberta Science and Research Authority also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $2,232 for the year ending March 31, 2005 (2004 – $2,013).

At December 31, 2004, the Management Employees Pension Plan reported a deficiency of $268,101 (2003 – $290,014) and the Public Service Pension Plan reported a deficiency of $450,068 (2003 – $584,213). At December 31, 2004, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $9,404 (2003 – $9,312).

The Alberta Science and Research Authority also participates in two multi-employer Long-Term Disability Income Continuance Plans. At March 31, 2005, the Bargaining Unit Plan reported an actuarial deficiency of $11,817 (2004 – $9,766) and the Management, Opted Out and Excluded Plan an actuarial surplus of $3,208 (2004 – $1,298). The expense for these two plans is limited to employer's annual contributions for the year.

Note 16 Comparative Figures

(In thousands)

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

Note 17 Approval of Financial Statements

These financial statements were recommended by the Audit Committee and approved by the Alberta Science and Research Authority Board.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE OF EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT FOR THE YEAR ENDED MARCH 31, 2005

Schedule 1

(In thousands)

	2005		2004
	Budget	Actual	Actual
OBJECT			
Salaries, Wages and Employee Benefits	$ 38,127	$ 39,867	$ 37,234
Supplies and Services	25,884	23,487	20,572
Grants	69,041	73,757	70,156
Financial Transactions and Other	50	671	422
Amortization of Tangible Capital Assets	3,055	1,528	1,673
Total EXPENSES	$ 136,157	$ 139,310	$ 130,057

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY ENTITY AS AT MARCH 31, 2005

Schedule 2

(In thousands)

	Alberta Science and Research Authority	Alberta Research Council Inc.	iCORE Inc.	Consolidation Adjustments	Consolidated Alberta Science and Research Authority
ASSETS					
Cash (Note 4)	$ 15,809	$ 10,472	$ 746	$ -	$ 27,027
Restricted Cash (Note 4)	630	269	-	-	899
Prepaids	-	492	-	(492)	-
Marketable Securities (Note 5)	-	170	-	-	170
Accounts Receivable (Note 6)	539	13,568	9	(1,580)	12,536
	16,978	24,971	755	(2,072)	40,632
Tangible Capital Assets (Note 8)	-	14,396	-	-	14,396
	$ 16,978	$ 39,367	$ 755	$ (2,072)	$ 55,028
LIABILITIES					
Accounts Payable and Accrued Liabilities	$ 12,818	$ 13,945	$ 752	$ (1,579)	$ 25,936
Unearned Revenue	-	5,441	-	(563)	4,878
Holdback Liability	485	-	-	-	485
Deferred Contributions (Note 9)	630	269	-	-	899
Current Portion of Long-Term Debt (Note 10)	-	447	-	-	447
	13,933	20,102	752	(2,142)	32,645
Long-Term Debt (Note 10)	-	273	-	-	273
Accumulated Provision for Project Abandonment (Note 11)	263	-	-	-	263
	14,196	20,375	752	(2,142)	33,181
NET ASSETS					
Net Assets, Beginning of Year	$ 2,781	$ 21,661	$ (4)	$ 251	$ 24,689
Net Operating Results	140	(2,669)	7	(181)	(2,703)
Transfer to Alberta Agriculture, Food and Rural Development	(139)	-	-	-	(139)
Net Assets, End of Year	2,782	18,992	3	70	21,847
	$ 16,978	$ 39,367	$ 755	$ (2,072)	$ 55,028

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED COMPARISON OF REVENUES, EXPENSES - DIRECTLY INCURRED, AND EQUIPMENT AND INVENTORY PURCHASES BY ELEMENT TO AUTHORIZED BUDGET FOR THE YEAR ENDED MARCH 31, 2005

Schedule 3

(In thousands)

	2005		
	Authorized Budget	Actual	Increase / (Decrease)
REVENUES			
Internal Government Transfers			
Transfer from Department - General Revenue Fund	$ 30,112	$ 36,612	$ 6,500
Transfer from Department - Lottery Fund	69,285	69,285	-
Sub-Total	99,397	105,897	6,500
Other Revenue			
Commercial Revenue	32,233	32,630	397
Contracts with Other Ministries	3,166	1,351	(1,815)
Transfers from Government of Canada	-	374	374
Technology and Production Sales	-	50	50
Investment Income	840	956	116
Various	345	399	54
Sub-Total	36,584	35,760	(824)
Total REVENUES	135,981	141,657	5,676
EXPENSES			
Program Expenses			
Operations and Policy Implementation	-	-	-
Investing in Energy Research			
Alberta Energy Research Institute			
- Operating Expenses	-	374	374
- Operating Expenses funded by Lotteries	14,595	14,261	(334)
Investing in Life Sciences			
Alberta Agricultural Research Institute			
- Operating Expenses	-	-	-
- Operating Expenses funded by Lotteries	8,675	8,629	(46)
Alberta Forestry Research Institute			
- Operating Expenses	-	-	-
- Operating Expenses funded by Lotteries	2,510	1,615	(895)
Investing in Information and Communications Technology (ICT)			
iCORE Inc. (Informatics Circle of Research Excellence)			
- Operating Expenses	100	190	90
- Operating Expenses funded by Lotteries	10,010	10,010	-
Investing in Research Capacity			
Alberta Science and Research Investments Program			
- Operating Expenses	-	3,010	3,010
- Operating Expenses funded by Lotteries	33,495	34,770	1,275
Technology Commercialization Initiatives	3,615	6,620	3,005
Alberta Research Council Inc.			
Core Research Funding	27,082	26,812	(270)
Contract Research	36,075	33,019	(3,056)
Total Program Expenses	136,157	139,310	3,153
NET OPERATING RESULTS FROM CONTINUING OPERATIONS	$ (176)	$ 2,347	$ 2,523
OTHER			
Operating Loss from Discontinued Operations	-	554	554
Write down on Tangible Capital Assets	-	4,591	4,591
Gain on Disposal of Tangible Capital Assets	-	(95)	(95)
Total OTHER	$ -	$ 5,050	$ 5,050
NET OPERATING RESULTS	$ (176)	$ (2,703)	$ (2,527)
EQUIPMENT/INVENTORY PURCHASES	$ 3,346	$ 4,877	$ 1,531

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE OF SUPPLEMENTARY INFORMATION - OPERATING RESULTS FOR THE YEAR ENDED MARCH 31, 2005

Schedule 4

(In thousands)

	2005		
	Per Consolidated Statement of Operations		
	Authorized Budget	Actual	Actual (Gross Basis) (Note 3)
REVENUES			
Internal Government Transfers			
Transfer from Department - General Revenue Fund	$ 30,112	$ 36,612	$ 36,612
Transfer from Department - Lottery Fund	69,285	69,285	69,285
Sub-Total	99,397	105,897	105,897
Other Revenue			
Commercial Revenue	32,233	32,630	36,393
Contracts with Other Ministries	3,166	1,351	1,351
Transfers from Government of Canada	-	374	374
Technology and Production Sales	-	50	50
Investment Income	840	956	956
Various	345	399	399
Sub-Total	36,584	35,760	39,523
Total REVENUES	135,981	141,657	145,420
EXPENSES			
Program Expenses			
Operations and Policy Implementation	-	-	-
Investing in Energy Research			
Alberta Energy Research Institute			
- Operating Expenses	-	374	374
- Operating Expenses funded by Lotteries	14,595	14,261	14,261
Investing in Life Sciences			
Alberta Agricultural Research Institute			
- Operating Expenses	-	-	-
- Operating Expenses funded by Lotteries	8,675	8,629	8,629
Alberta Forestry Research Institute			
- Operating Expenses	-	-	-
- Operating Expenses funded by Lotteries	2,510	1,615	1,615
Investing in Information and Communications Technology (ICT)			
iCORE Inc. (Informatics Circle of Research Excellence)			
- Operating Expenses	100	190	190
- Operating Expenses funded by Lotteries	10,010	10,010	10,010
Investing in Research Capacity			
Alberta Science and Research Investments Program			
- Operating Expenses	-	3,010	3,010
- Operating Expenses funded by Lotteries	33,495	34,770	34,770
Technology Commercialization Initiatives	3,615	6,620	6,620
Alberta Research Council Inc.			
Core Research Funding	27,082	26,812	26,812
Contract Research	36,075	33,019	37,336
Total EXPENSES	136,157	139,310	143,627
NET OPERATING RESULTS FROM CONTINUING OPERATIONS	$ (176)	$ 2,347	$ 1,793
OTHER			
Operating Loss from Discontinued Operations	-	554	-
Write down on Tangible Capital Assets	-	4,591	4,591
Gain on Disposal of Tangible Capital Assets	-	(95)	(95)
Total OTHER	$ -	$ 5,050	$ 4,496
NET OPERATING RESULTS	$ (176)	$ (2,703)	$ (2,703)

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE OF SALARY, HONORARIA AND BENEFITS DISCLOSURE FOR THE YEAR ENDED MARCH 31, 2005

Schedule 5

	2005				2004
	Base Salary [1]	Other Cash Benefits [2]	Other Non-cash Benefits [3]	Total [4]	Total
Chair of the Alberta Science and Research Authority	$ -	$ 57,674	$ -	$ 57,674	$ 48,295
Vice-Chair of the Alberta Science and Research Authority	13,526	-	230	13,756	15,255
Co-Chairs of the Alberta Agricultural Research Institute	3,954	32,870	67	36,891	48,111
Co-Chairs of the Alberta Energy Research Institute	3,954	12,991	67	17,012	28,331
Co-Chairs of the Alberta Forestry Research Institute	3,954	2,114	67	6,135	-
Board Members [5]	-	86,437	-	86,437	65,342

NOTES:

[1] A Member to the Legislative Assembly (M.L.A.) receives a monthly salary as Vice-Chair of the Alberta Science and Research Authority. M.L.A.'s who act as Institute Co-Chairs of the Research Institutes were appointed January 10, 2005. Previous Co-Chair appointments ended October 25, 2004.

[2] The Chair of the Alberta Science and Research Authority, the Co-Chairs of the Research Institutes and all other Board Members who are not employees of the Government and not M.L.A.'s may be paid remuneration in the form of honoraria.

[3] Other non-cash benefits equal the employer's share of the long term disability plan.

[4] The salary and benefits disclosure for the Alberta Research Council Inc. and iCORE Inc. are reported separately in their respective financial statements.

[5] Included are Board Members of the Alberta Science and Research Authority and the Research Institutes.

ALBERTA SCIENCE AND RESEARCH AUTHORITY

CONSOLIDATED SCHEDULE OF RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED MARCH 31, 2005

Schedule 6

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Alberta Science and Research Authority.

The Alberta Science and Research Authority and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Alberta Science and Research Authority had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

(In thousands)

	Entities in the Ministry		Other Entities	
	2005	2004	2005	2004
REVENUES				
Grant from the Department of Innovation and Science	$ 105,897	$ 101,813	$ -	$ -
Grants/Contracts with Other Alberta Government Departments and Agencies	-	-	1,351	1,423
	$ 105,897	$ 101,813	$ 1,351	$ 1,423
EXPENSES - DIRECTLY INCURRED				
Grants to Alberta Government Departments and Agencies	$ -	$ -	$ 1,179	$ 828
Charges from the Ministry of Finance	-	-	113	109
Charges from the Ministry of Infrastructure and Transportation	-	-	77	75
Charges from the Ministry of Restructuring and Government Efficiency	-	-	30	31
	$ -	$ -	$ 1,399	$ 1,043
TANGIBLE CAPITAL ASSETS TRANSFERRED TO/FROM ALBERTA GOVERNMENT DEPARTMENTS AND AGENCIES	$ -	$ -	$ 139	$ -
RECEIVABLES FROM ALBERTA GOVERNMENT DEPARTMENTS AND AGENCIES	$ 180	$ 1,170	$ 644	$ 590
PAYABLES TO ALBERTA GOVERNMENT DEPARTMENTS AND AGENCIES	$ 176	$ 173	$ 150	$ 103

The Alberta Science and Research Authority also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

(In thousands)

	Entities in the Ministry		Other Entities	
	2005	2004	2005	2004
EXPENSES - INCURRED BY OTHERS				
Administrative support supplied by the Department of Innovation and Science	$ 3,552	$ 3,154	$ -	$ -
Charges from the Ministry of Infrastructure and Transportation	-	-	14,431	16,078
Legal services from the Ministry of Justice	-	-	13	15
	$ 3,552	$ 3,154	$ 14,444	$ 16,093

ALBERTA SCIENCE AND RESEARCH AUTHORITY

Schedule 7

CONSOLIDATED SCHEDULE OF ALLOCATED COSTS
FOR THE YEAR ENDED MARCH 31, 2005

(In thousands)

	2005					2004
		Expenses Incurred by Others				
	Expenses [1]	Accommodation Costs [2]	Legal Costs [3]	Administrative Costs [4]	Total	Total
Program						
Operations and Policy Implementation	$ -	$ -	$ -	$ -	$ -	$ 1,310
Alberta Energy Research Institute	14,635	-	13	844	15,492	12,904
Alberta Agricultural Research Institute	8,629	-	-	483	9,112	9,112
Alberta Forestry Research Institute	1,615	-	-	296	1,911	2,719
iCORE Inc. (Informatics Circle of Research Excellence)	10,200	38	-	-	10,238	9,776
Alberta Science and Research Investments Program	37,780	-	-	624	38,404	38,471
Technology Commercialization Initiatives	6,620	-	-	1,305	7,925	5,259
Alberta Research Council Inc.	59,831	14,393	-	-	74,224	69,753
Total PROGRAM EXPENSES	139,310	14,431	13	3,552	157,306	149,304
Other Expenses						
Operating Loss from Discontinued Operations	554	-	-	-	554	2,280
Writedown of Tangible Capital Assets	4,591	-	-	-	4,591	699
Gain on Disposal of Tangible Capital Assets	(95)	-	-	-	(95)	-
	$ 144,360	$ 14,431	$ 13	$ 3,552	$ 162,356	$ 152,283

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[1] Expenses - Directly Incurred as per the Consolidated Statement of Operations, excluding valuation adjustments.

[2] Costs shown for Accommodation provided by the Ministry of Infrastructure and Transportation.

[3] Costs shown for Legal Services provided by the Ministry of Justice.

[4] Costs shown for Administrative Support provided by the Department of Innovation and Science.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

Auditor's Report

Consolidated Balance Sheet

Consolidated Statement of Revenue and Expense and Operating Equity

Consolidated Statement of Cash Flows

Notes to Consolidated Financial Statements

Consolidated Schedule of Allocated Costs

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Directors of the Alberta Research Council Inc.

I have audited the consolidated balance sheet of the Alberta Research Council Inc. as at March 31, 2005 and the consolidated statements of revenue and expense and operating equity and cash flows for the year then ended. These financial statements are the responsibility of the Alberta Research Council Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Alberta Research Council Inc. as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
April 29, 2005

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2005
(in thousands of dollars)

	2005 $	2004 $
ASSETS		
Current:		
Cash (Note 4)	10,741	9,091
Marketable securities – quoted market value $383 (2004 – $1,090)	170	775
Accounts receivable (Note 5)	10,350	8,733
Accrued income receivable	3,261	2,392
Inventory	-	130
Construction-in-progress (Note 6)	1,711	-
Prepaid expenses	492	167
	26,725	21,288
Long-term:		
Property, plant and equipment (Note 7)	12,685	16,663
	39,410	37,951
LIABILITIES AND EQUITY		
Current:		
Accounts payable and accrued liabilities (Note 8)	13,989	10,265
Unearned contract revenue (Note 8)	5,710	4,882
Current portion of long-term debt (Note 9)	447	423
	20,146	15,570
Long-term:		
Long-term debt (Note 9)	273	721
	20,419	16,291
Equity:		
Operating	18,991	21,660
	39,410	37,951

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors

LeRoy Johnson, M.L.A.
Wetaskiwin – Camrose
Chair of the Board of Directors

Jim Carter
Chair, ARC Audit Committee

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE AND OPERATING EQUITY

FOR THE YEAR ENDED MARCH 31, 2005

(in thousands of dollars)

	2005		2004
	Budget \$ (Note 18)	Actual \$ (Schedule 1)	Actual \$
REVENUE			
Investment from the Province of Alberta:			
General revenues	26,812	27,277	27,135
Contract revenue (Note 14):			
Commercial	35,368	28,354	24,919
Alberta government departments and agencies	6,519	5,131	4,378
Royalties, licensing fees and product sales	3,003	4,023	4,413
Interest income	500	485	591
	72,202	65,270	61,436
EXPENSE			
Salaries, wages and benefits (Note 8)	43,019	40,051	36,577
Professional, technical and labour services	8,046	7,675	6,181
Materials and supplies	6,041	4,137	3,676
Other expenses (Note 8)	2,743	2,277	1,923
Travel and hospitality	2,373	1,909	1,735
Computing supplies and services	1,700	1,741	1,714
Amortization	2,716	1,457	1,673
Legal and patent	1,566	1,162	1,228
Royalty expense (Note 8)	465	563	548
Provision for impairment of marketable securities	-	557	70
Insurance (Note 8)	509	466	436
Telephone	501	423	438
Maintenance and rental	971	352	488
Interest	50	49	71
Write-down of long-term investments	-	-	250
	70,700	62,819	57,008
Net earnings for the year from continuing operations	1,502	2,451	4,428
Net loss from discontinued operations (Note 3)	-	(5,120)	(2,980)
Net (loss) earnings for the year	1,502	(2,669)	1,448
Operating equity at beginning of year	21,660	21,660	20,212
Operating equity at end of year	23,162	18,991	21,660

The accompanying notes are an integral part of these financial statements.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2005
(in thousands of dollars)

	2005	2004
	$	$
CASH PROVIDED BY (USED IN)		
Operating activities:		
Net earnings for the year from continuing operations	2,451	4,428
Amortization	1,457	1,673
Gain on sale of marketable securities	(578)	(637)
Purchase of marketable securities	(212)	(322)
Proceeds on sale of marketable securities	838	876
Provision for impairment of marketable securities	557	70
Write down of long term investments	-	250
Net change in non-cash balances (Note 12)	160	1,284
Net cash provided by operating activities of continuing operations	4,673	7,622
Net loss for the year from discontinued operations (Note 3)	(5,120)	(2,980)
Write-down of equipment and leasehold improvements (Note 3)	4,591	699
Amortization (Note 3)	889	936
Gain on disposal of property, plant and equipment	(25)	-
Net change in non-cash balances	-	(50)
Net cash provided by (used by) operating activities of discontinued operations	335	(1,395)
Net cash provided by operating activities	5,008	6,227
Investing activities:		
Purchases of property, plant and equipment	(3,027)	(3,189)
Proceeds on disposal of property, plant and equipment	93	20
Proceeds on sale of discontinued operations	-	50
Net cash used by investing activities	(2,934)	(3,119)
Financing activities:		
Repayment of long-term debt	(424)	(402)
Increase in cash	1,650	2,706
Cash at beginning of year	9,091	6,385
Cash at end of year	10,741	9,091
Supplementary cash flow information:		
Interest paid	49	71
Interest received	485	591

The accompanying notes are an integral part of these financial statements.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

(all tabular amounts in thousands of dollars)

Note 1 Authority and Purpose

The Alberta Research Council Inc. is incorporated under the Alberta Business Corporations Act (Alberta). The Alberta Research Council Inc. ("Research Council") is a wholly owned subsidiary of the Alberta Science and Research Authority ("Authority"), which is the responsibility of the Ministry of Innovation and Science of the Province of Alberta.

The Authority and its wholly owned subsidiaries are exempt from the payment of income tax under Section 149 of the Income Tax Act.

As per Order in Council 103/2005, all shares of the Research Council will be transferred from the Authority to the Province of Alberta effective April 1, 2005. The Research Council will report to the Ministry of Innovation and Science.

In partnership with global leaders, the Research Council helps to advance the economy and well being of Alberta and Canada by providing technology and innovation to meet current and emerging needs of industry and government.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The precise determination of many assets and liabilities is dependent upon future events. Accordingly, the preparation of financial statements for a reporting period necessarily involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates. These consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the Research Council and its wholly owned subsidiary, C-FER Technologies (1999) Inc.

(b) Marketable Securities

Shares of public companies are recorded at the lower of cost and market value.

(c) Inventory

Inventory consists primarily of raw materials for use in production and fulfillment of supply contracts and is valued at the lower of average cost and net realizable value.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(all tabular amounts in thousands of dollars)

(d) Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are amortized on a straight-line basis over their estimated useful lives using the following annual rates:

Building	Thirty years
Leasehold improvements	Twenty-five years
Equipment	Five to twenty years
Furniture and fixtures	Five years
Computer equipment and software	Three years

(e) Patents and Other Intangible Assets

Expenses incurred related to patents owned by the Research Council as a result of research activity are not capitalized due to the uncertain value of benefits which may accrue to the Research Council.

Expenses incurred on the development of other intangible assets including intellectual capital are not capitalized as there currently is not an acceptable methodology for measuring the value of future benefits accruing to the Research Council.

(f) Revenue Recognition

Provincial investment funds, general revenues, are recognized as revenue in the year approved.

Contract revenue is recognized as costs are incurred, up to the contract maximum and in accordance with contracted cost-sharing ratios. The Research Council makes full provision for all known or estimated losses on uncompleted contracts as soon as they can reasonably be estimated.

Royalties and licensing fees are recognized as they accrue in accordance with the relevant agreements and when the amount can be reasonably estimated and there is reasonable assurance of collectability of proceeds.

Revenue from product sales is recognized when products are delivered.

(g) Expenses Incurred by Others

Services contributed by other entities in support of the Research Council's operations have not been recorded in the financial statements and are disclosed in Schedule 1.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

(all tabular amounts in thousands of dollars)

(h) Pension Plans

The Research Council participates in multi-employer pension plans with related government entities. Pension costs included in these financial statements are comprised of the cost of employer contributions for the current service of employees during the year and additional employer contributions for service relating to prior years.

i) Changes in accounting policies

a) CICA Handbook Section 1100, Generally Accepted Accounting Principles ("GAAP") became effective April 1, 2004. This section identifies appropriate sources of GAAP and the doctrines that constitute GAAP. The adoption of Section 1100 did not have an impact on the Research Council's consolidated financial statements.

b) Effective April 1, 2004, the Research Council adopted new CICA Handbook Section 3063, "Impairment of Long-lived Assets". The section provides that an impairment loss be recognized when the carrying value of an asset exceeds the total undiscounted cash flows expected from its use and eventual disposition. The impairment recognized is measured as the amount by which the carrying value of the long-lived asset exceeds its fair value. The adoption of Section 3063 did not have an impact on the Research Council's consolidated financial statements.

c) Effective April 1, 2004, the Research Council adopted new CICA Handbook Section 3110, "Asset Retirement Obligations". The section addresses the recognition and re-measurement of obligations associated with the retirement of a tangible long-lived asset. The standard provides that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of liability initially measured at fair value. These obligations are capitalized to the book value of the related long-lived assets and are depreciated over the useful life of the related asset. The adoption of Section 3110 did not have an impact on the Research Council's consolidated financial statements.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

Note 3 Discontinued Operations

Effective March 31, 2005, the operations of the Biologics business unit were closed. The results of the Biologics business unit have been presented as discontinued operations in the financial statements.

	2005 $	2004 $
Net loss from Biologics operations	529	2,281
Severance	585	-
Investment from Province of Alberta	(585)	-
Write-down of equipment and leasehold improvements	4,591	699
	5,120	2,980

Included in the net loss from Biologics operations is $889,000 of amortization expense (2004 – $936,000) and $25,000 gain on disposal of property, plant and equipment (2004 – $nil).

Equipment and leasehold improvements with a cost of $11,349,000 and accumulated amortization of $6,758,000 was written down during the year through a charge to accumulated amortization of $4,591,000, as they had been determined to be unusable for research activities. The remaining equipment utilized by the former Biologics business unit was transferred to another business unit at book value.

Note 4 Cash

Cash consists primarily of deposits in the Consolidated Cash Investment Trust Fund ("CCITF") of the Province of Alberta. The CCITF is managed by Alberta Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on prevailing market interest rates. The average rate of interest earned on cash balances in the year was 2.39% (2004 – 3.06%). Cash of $269,000 (2004 – $507,000) is held in trust for use in a Canadian International Development Agency ("CIDA") project.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(all tabular amounts in thousands of dollars)

Note 5 Accounts Receivable

	2005 $	2004 $
Commercial	8,111	7,322
Alberta government departments and agencies	2,239	1,411
	10,350	8,733

Accounts receivable are recorded net of $547,000 (2004 – $646,000) of allowance for doubtful accounts.

Note 6 Construction-in-Progress

The Research Council is currently constructing a new Agriculture Fibre Processing Facility at the Mill Woods building. The total cost of the facility is expected to be $4,390,000 and will be completed by the end of 2005. The total costs incurred to March 31, 2005 were $1,711,000 and are recorded as construction-in-progress.

Upon completion, ownership of the facility will be transferred to the Ministry of Alberta Infrastructure and Transportation, through a charge against equity in the next fiscal year.

The Research Council has entered into an agreement with Western Economic Diversification and will receive $1,448,000 towards the cost of the facility. For the year ended March 31, 2005, the Research Council has recognized $584,000 of this amount as revenue.

Note 7 Property, Plant and Equipment

	2005			2004
	Cost $	Accumulated amortization $	Net $	Net $
Land	566	-	566	566
Building	2,119	441	1,678	1,732
Leasehold improvements	9,283	8,672	611	5,226
Equipment	38,987	29,324	9,663	8,988
Furniture and fixtures	381	355	26	3
Computer equipment and software	2,569	2,428	141	148
	53,905	41,220	12,685	16,663

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(all tabular amounts in thousands of dollars)

Note 8 Related Party Transactions

The following table summarizes the Research Council's related party transactions for the year:

Related Party	**Relationship**	**Transaction**	**Classification**	**2005** $	**2004** $
Alberta Infrastructure and Transportation	Ministry	Parking services	Salary, wages and benefits	77	74
Ministry of Finance	Ministry	Insurance	Insurance	113	109
Department of Restructuring and Government Efficiency	Ministry	Postage services	Other expenses	30	24

The premises occupied by the Research Council, as well as some office furniture and tenant improvements, have been provided by the Province of Alberta at no cost (see Schedule 1).

Included in accounts payable is $nil (2004 – $172,000) due to Alberta Innovation and Science, the Ministry.

Included in unearned contract revenue is $1,146,000 (2004 – $1,110,000) received on behalf of Alberta government departments and agencies. $563,000 (2004 – $548,000) of this amount was recorded as royalty expense to Alberta Science and Research Authority in the statement of revenue and expense and operating equity.

Note 9 Long-term Debt

	2005 $	2004 $
5.37% mortgage, payable in monthly instalments of $39,376 including interest	720	1,144
Less: Current portion	447	423
	273	721

A demand debenture with a fixed charge over land, building and equipment with a net book value of $3,242,000 (2004 – $3,172,000), a floating charge over other assets, an assignment of insurance proceeds and a general security agreement registered under the Personal Property Security Act creating a floating charge over all property and assets, both present and future have been pledged as collateral for the mortgage.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(all tabular amounts in thousands of dollars)

The following estimated principal repayments during the next two years and in total are based on the assumption that the mortgage will be fully repaid by October 2006:

	$
Year ending March 31, 2006	447
2007	273
	720

Note 10 Contingency

During fiscal 2000, the Research Council was made aware of a $2,200,000 claim relating to intellectual property ownership, which was filed by a former employee. Management feels that the claim is without merit, however, the likelihood of loss is not determinable at this time. Any settlement that may occur would be accounted for as a charge against earnings in the year of settlement.

Note 11 Commitments

a) Future minimum lease payments for office equipment and vehicles over the next five years and in total are as follows:

	$
Year ending March 31, 2006	138
2007	97
2008	63
2009	51
2010	7
	356

b) The Research Council has committed to contribute $2,680,000 to a project during the next fiscal year.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

(all tabular amounts in thousands of dollars)

Note 12 Net Change in Non-Cash Balances

	2005 $	2004 $
Accounts receivable	(1,617)	(1,482)
Accrued income receivable	(869)	1,241
Inventory	130	1
Construction-in-progress	(1,711)	-
Prepaid expenses	(325)	(18)
Accounts payable and accrued liabilities	3,724	696
Unearned contract revenue	828	846
	160	1,284

Note 13 Pension Plan

The Research Council participates in two multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan, as well as a Defined Contribution Plan. The expense for these pension plans is equivalent to the annual contributions of $2,208,000 for the year ending March 31, 2005 (2004 – $1,952,000).

Note 14 Contract Revenue

During the year, the Research Council provided $147,000 (2004 – $425,000) of services in exchange for shares and warrants of public companies. The services were measured at the cost incurred.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

(all tabular amounts in thousands of dollars)

Note 15 C-FER Technologies (1999) Inc.

C-FER Technologies (1999) Inc. ("C-FER") is a wholly owned subsidiary of the Research Council. Separate financial statements are not provided for C-FER as its business is closely integrated with that of the Research Council and disclosure in these statements is considered adequate. The following aggregate amounts are included in these consolidated financial statements in respect of C-FER's financial position, results of operations and cash flows:

	2005 $	2004 $
Balance Sheet		
Current assets	2,764	2,829
Property, plant and equipment	3,242	3,172
Current liabilities	4,678	4,310
Statement of Operations		
Total revenue	7,020	7,470
Total expenses	6,935	7,006
Net earnings from operations	85	464
Statement of Cash Flows		
Cash used by operating activities	(449)	413
Cash used in investing activities	(244)	(121)

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

(all tabular amounts in thousands of dollars)

Note 16 Board of Directors and Senior Executive Salaries and Benefits

	2005				2004
	Base Salary [1] $	Other Cash Benefits [2] $	Other Non-cash Benefits [3] $	Total $	Total $
Chair of the Board[4]	-	-	-	-	-
Board Members	-	9,961	-	9,961	8,134
Chief Executive Officer	190,020	35,000	58,540	283,560	251,841
Executive/Vice Presidents					
Chief Financial Officer	124,884	9,424	21,146	155,454	143,292
Associate Vice-President, Human Resources[5]	45,850	-	11,185	57,035	-
Vice-President, Energy	172,452	11,846	31,965	216,263	191,285
Vice-President, Engineered Products and Services	112,752	6,474	15,347	134,573	126,776
Vice-President, External Relations & Alliances	110,976	6,402	13,971	131,349	123,516
Vice-President, Integrated Resource Management	165,612	9,526	20,529	195,667	191,853
Vice-President, Life Sciences[6]	169,962	-	39,577	209,539	143,811
Vice-President, New Ventures	150,816	9,426	29,659	189,901	190,657

(1) Base salary includes regular base pay.

(2) Other cash benefits include bonuses, overtime, lump sum payments and honoraria.

(3) Benefits and allowances includes the employer's share of the cost of pension, Canada Pension Plan, Employment Insurance, dental, major medical, basic life insurance, short and long-term disability, employee health care expense accounts and vacation accrual. It also includes car allowance, payments made in lieu of benefits and membership fees.

(4) No salary was paid by the Alberta Research Council to the Chair of the Board.

(5) Associate Vice-President, Human Resources position started November 1, 2004.

(6) Vice President, Life Sciences position had a new Vice-President start July 1, 2004.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

(all tabular amounts in thousands of dollars)

Note 17 Financial Instruments

Financial instruments consist of accounts receivable, accrued income receivable, marketable securities and long-term investments which will result in future cash receipts as well as accounts payable and accrued liabilities and long-term debt which will result in future cash outlays.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties, matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair values of accounts receivable, accrued income receivable, accounts payable and accrued liabilities approximate the carrying values due to their short-terms to maturity. The fair value of the marketable securities is their market value as disclosed on the balance sheet.

The fair value of long-term debt approximates its carrying value due to the fact that the interest rates approximate the market rate at March 31, 2005.

The Research Council is exposed to normal credit risk with respect to its commercial sales. However, this is minimized by the Research Council's program of credit evaluation of new customers. Provisions are maintained for potential credit losses, and any such losses to date have been within management's expectations. The Research Council is not exposed to significant credit risk from any one customer.

Options and Warrants

As part of the consideration for granting various licenses, the Research Council will sometimes receive options and warrants to acquire common shares of public companies. The Research Council is subject to market risk with these stock options and warrants. As a result, the value of these financial instruments will fluctuate as a result of changes in market prices.

Note 18 Budget

The 2005 budget was approved by the Board of Directors on March 18, 2004.

Note 19 Comparative Figures

The comparative figures have been reclassified where necessary to conform with current year presentation.

ALBERTA RESEARCH COUNCIL INC.

CONSOLIDATED SCHEDULE OF ALLOCATED COSTS[1]
FOR THE YEAR ENDED MARCH 31, 2005
(all tabular amounts in thousands of dollars)

Schedule 1

	2005			2004
		Expenses Incurred by Others		
	Expense[2] $	Accommodation Costs[3] $	Total Expenses $	Total Expenses[2] $
Total Expense	62,819	14,393	77,212	73,136

[1] If these allocated costs were paid for by the Research Council, the Province's contribution to the Research Council would be increased by $14,393,000 making total revenue for 2005 $79,663,000. Net loss for 2005 would have remained at $2,669,000.

[2] Expenses as per Consolidated Statement of Revenue and Expense and Operating Equity.

2004 expense adjusted by $(5,588) for comparative purposes to reflect discontinued operations.

[3] Accommodation costs, including premises occupied by the Research Council, as well as some office furniture and tenant improvements, have been provided by the Province of Alberta at no cost. The Province's costs to provide this support are as follows:

	2005 $	2004 $
Accommodation cost:		
Building maintenance	7,707	9,011
Grants in lieu of taxes	1,827	1,788
Lease costs	1,935	2,018
Project expenses	17	398
Amortization	2,907	2,913
	14,393	16,128

iCORE Inc.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

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Schedule of Related Party Transactions

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Directors of iCORE Inc.

I have audited the statement of financial position of iCORE Inc. as at March 31, 2005 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of iCORE Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of iCORE Inc. as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
April 22, 2005

iCORE Inc.

STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2005

	2005 Budget	2005 Actual	2004 Actual
	(in thousands)		
Revenues			
Internal Government Transfers	$ 10,000	$ 10,129	$ 9,555
Other Revenue	100	77	175
	10,100	10,206	9,730
Expenses - Directly Incurred			
Research Grants	7,000	7,024	7,249
Graduate Student Grants (Note 5)	2,000	1,988	1,492
Salaries, Wages and Employee Benefits	560	565	514
Communications	300	444	261
Supplies and Services	240	179	221
	10,100	10,200	9,737
Net Operating Results	$ -	$ 6	$ (7)

The accompanying notes and schedules are part of these financial statements.

iCORE Inc.

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2005

	(in thousands) 2005	2004
ASSETS		
Cash	$ 746	$ 99
Accounts Receivable	9	-
	$ 755	$ 99
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 753	$ 103
	753	103
NET ASSETS		
(Net Liabilities) Net Assets at Beginning of Year	(4)	3
Net Operating Results	6	(7)
Net Assets (Net Liabilities) at End of Year	2	(4)
	$ 755	$ 99

The accompanying notes and schedules are part of these financial statements.

Approved by the Board of Directors

Roger S Smith

Peter C Fly

Dr. Roger Smith
Chair of the Board
iCORE Inc.

Dr. Peter Flynn
Chair of the iCORE Audit Committee
iCORE Inc.

iCORE Inc.

STATEMENT OF CASHFLOWS
YEAR ENDED MARCH 31, 2005

	(in thousands) 2005	2004
Operating Transactions		
Net Operating Results	$ 6	$ (7)
(Increase) Decrease in Accounts Receivable	(9)	11
Increase in Accounts Payable and Accrued Liabilities	650	42
Cash Provided by Operating Transactions	647	46
Increase in Cash	647	46
Cash, Beginning of Year	99	53
Cash, End of Year	$ 746	$ 99

The accompanying notes and schedules are part of these financial statements.

iCORE Inc.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005

NOTE 1 AUTHORITY

iCORE Inc. was established as a not-for-profit corporation in accordance with the Alberta Business Corporations Act, Chapter B-9, Revised Statues of Alberta 2000, as amended. iCORE Inc. is a wholly owned subsidiary of the Alberta Science and Research Authority. The Alberta Science and Research Authority and its wholly owned subsidiaries are exempted from the payment of income tax under Section 149 of the Income Tax Act.

The mandate of iCORE Inc. is to attract and grow a critical mass of outstanding researchers in the fields of computer science, electrical and computer engineering, physics, mathematics and other information and communications technology related disciplines. iCORE Inc. invests in the highest calibre research scientists and leaders who work on fundamental and applied problems in information and communications technology. It aims to fund iCORE Chairs at Alberta universities, around which world-class research teams will be developed.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. These financial statements are prepared in accordance with the following accounting policies that have been established by government for Provincial Corporations.

(a) Reporting Entity

The reporting entity is iCORE Inc., which is a wholly owned subsidiary of the Alberta Science and Research Authority. The Alberta Science and Research Authority and its other wholly owned subsidiary, the Alberta Research Council Inc., are part of the Ministry of Innovation and Science for which the Minister of Innovation and Science is accountable. The other entity reporting to the Minister is the Department of Innovation and Science. The activities of the Department of Innovation and Science and the consolidated activities of the Alberta Science and Research Authority are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Expenses

Directly Incurred

Directly incurred expenses are those costs iCORE Inc. has primary responsibility and accountability for, as reflected in the Government's budget documents.

Grants are recognized when authorized and eligibility criteria are met.

Incurred by Others

Services contributed by other entities in support of iCORE Inc. operations are disclosed in Schedule 2.

Assets

Financial assets of iCORE Inc. are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

The threshold for capitalizing new systems development is $100,000 and the threshold for all other tangible capital assets is $5,000 (2004 - $15,000).

Liabilities

Liabilities represent all financial claims payable by iCORE Inc. at fiscal year end.

Net Assets/Net Liabilities

Net assets/net liabilities represents the difference between the carrying value of assets held by iCORE Inc. and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their book values.

NOTE 3 CONTRACTUAL OBLIGATIONS

(in thousands)

	2005	2004
Grant agreements	$ 11,811	$ 11,212

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Grant Agreements
2006	$ 4,425
2007	3,638
2008	2,469
2009	1,279
Thereafter	-
	$ 11,811

NOTE 4 TRANSFER OF OWNERSHIP

As approved by the iCORE Board of Directors, the Alberta Science and Research Authority (ASRA), and the Government of Alberta via Order in Council 103/2005, all shares in iCORE Inc. will be transferred from ASRA to the Ministry of Innovation and Science, effective April 1, 2005.

NOTE 5 CHANGES IN GRANT PROGRAMS

Beginning during fiscal 2005-2006, the Graduate student grants program will be managed by iCORE Inc. and funded by the Ministry of Advanced Education.

NOTE 6 COMPARATIVE FIGURES

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

iCORE Inc.

SALARY AND BENEFITS DISCLOSURE
YEAR ENDED MARCH 31, 2005

Schedule 1

	2005			2004
	Base Salary[1]	Other Benefits[2]	Total	Total
Chair of the Board	$ 20,182	$ -	$ 20,182	$ 19,085
President and Chief Executive Officer[3]	$202,316	$ -	$202,316	$203,187
Vice President, Programs	$ 92,609	$ 31,810	$124,419	$121,384

Prepared in accordance with Treasury Board Directive 03/2004.

(1) Base salary includes regular base pay.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement savings plan, health care, dental coverage, vision coverage and professional development allowance.

(3) The position was occupied by two individuals in the year. The salary amount (including benefits paid by the University) for the former President and Chief Executive Officer, whose term ended December 31, 2004, is comprised of $79,163 (2004 - $108,178) paid to the University of Calgary for 80% secondment and $60,000 (2004 - $95,000) for consulting services. The salary amount (including benefits paid by the University) for the new President and Chief Executive Officer, whose term started January 1, 2005 is $63,153 (2004 – $0) paid to the University of Alberta for 100% secondment.

iCORE Inc.

RELATED PARTY TRANSACTIONS
YEAR ENDED MARCH 31, 2005

Schedule 2

Related parties are those entities consolidated or accounted for on the modified equity basis in the Province of Alberta's financial statements. Related parties also include management in iCORE Inc.

iCORE Inc. and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

iCORE Inc. had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

(in thousands)

	Entities in the Ministry		Other Entities	
	2005	2004	2005	2004
Revenues – Internal Government Transfers				
Grant from Alberta Science and Research Authority	$10,028	$9,555	$ -	$ -
Grant from Department of Innovation and Science	101	-	-	-
	$10,129	$9,555	$ -	$ -
Expenses – Directly Incurred				
Payments to Alberta Research Council Inc.	$8	$13	$ -	$ -

iCORE Inc. also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

(in thousands)

	Entities in the Ministry		Other Entities	
	2005	2004	2005	2004
Expenses – Incurred by Others				
Accommodation from the Alberta Research Council Inc.	$38	$39	$ -	$ -

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

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Consolidated Statement of Cash Flows

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AUDITOR
GENERAL
Alberta

Auditor's Report

To the Trustees of the Alberta Heritage Foundation for Medical Research

I have audited the consolidated statement of financial position of the Alberta Heritage Foundation for Medical Research as at March 31, 2005 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 6, 2005

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2005
(thousands of dollars)

	2005	2004
Assets		
Current		
Cash (Note 3)	$ 9,833	$ 8,531
Accounts receivable	316	94
Advances and prepaid expenses	100	248
	10,249	8,873
Long-Term		
Property, plant and equipment (Note 5)	339	525
Employee Loan (Note 15)	200	-
	539	525
Total Assets	$ 10,788	$ 9,398
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	$ 1,344	$ 2,269
Deferred contributions (Note 8)	8,065	7,738
	9,409	10,007
Long-Term		
Accrued retirement allowance (Note 7)	619	470
Accrued benefit liability (Note 6)	80	131
	699	601
Total Liabilities	10,108	10,608
Net Assets (Liabilities) (Note 9)	680	(1,210)
	$ 10,788	$ 9,398

The accompanying notes are part of these financial statements.

Approved by the Board:

Trustee

Trustee

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2005
(thousands of dollars)

	2005	2004
Revenues		
Transfers from Endowment Fund (Note 4)	$ 50,000	$ 50,000
Health Research Collaboration Program (Note 8)	4,562	4,639
Donations	2	2
Interest	166	302
Recoveries on Technology Commercialization (Note 10)	161	195
Unspent Grant Returns (Note 16)	633	-
Other Revenues (Note 17)	6	-
	55,530	55,138
Expenses		
Grants and awards		
Personnel	28,900	31,364
Training	6,330	6,975
Technology commercialization	1,385	1,162
Applied health research	2,300	2,634
Challenge Offer (Note 19)	4,000	-
Other	2,428	3,441
	45,343	45,576
Program Delivery		
HYRS program	137	126
Technology commercialization	148	123
Health technology assessment	767	777
Applied health research programs	2,383	1,474
	3,435	2,500
Operations		
Program planning	247	222
Peer review	1,016	960
Communication and education	899	689
Impact analysis	162	196
	2,324	2,067
Administration		
Corporate administration	1,316	1,309
Governance and planning	982	796
Amortization of property, plant and equipment	240	280
	2,538	2,385
Total Expenses	53,640	52,528
Excess of revenues over expenses	$ 1,890	$ 2,610

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2005

(thousands of dollars)

	2005			2004
	Invested in Property, Plant and Equipment	Unrestricted	Total	Total
Balance at beginning of year	$ 525	$ (1,735)	$ (1,210)	$ (3,820)
Excess of revenue over expense	-	1,890	1,890	2,610
Purchase of property, plant and equipment	62	(62)	-	-
Proceeds from disposal of property, plant and equipment	(1)	1	-	-
Loss on disposal of property, plant and equipment	(7)	7	-	-
Amortization of property, plant and equipment	(240)	240	-	-
Balance at end of year	$ 339	$ 341	$ 680	$ (1,210)

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2005

(thousands of dollars)

	2005	2004
Operating activities		
Cash from endowment and other	$ 50,967	$ 50,499
Cash from Health Research Collaboration	4,873	4,800
Cash from Canadian Nurses Foundation	16	-
Cash for grants and awards	(46,398)	(45,580)
Cash for program delivery	(3,434)	(2,500)
Cash for operations	(2,309)	(2,125)
Cash for administration	(2,352)	(2,270)
Net cash provided from (used in) operating activities	1,363	2,824
Investing activities		
Cash paid for purchase of property, plant and equipment	(62)	(47)
Proceeds on disposal of property, plant and equipment	1	1
Net cash used in investing activities	(61)	(46)
Net increase in cash for the year	1,302	2,778
Cash at beginning of year	8,531	5,753
Cash at end of year	$ 9,833	$ 8,531

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005

Note 1 Authority and Purpose

The Alberta Heritage Foundation for Medical Research (the Foundation) operates under the authority of *the Alberta Heritage Foundation for Medical Research Act, Chapter A-21, Revised Statutes of Alberta 2000*, as amended. The Foundation is exempt from Income Tax under section 149(l)(d.1) of the Income Tax Act.

The Foundation supports and promotes research in Alberta to improve health and thereby the quality of life of Albertans and people throughout the world.

Note 2 Significant Accounting Policies and Reporting Practices

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Basis of Presentation

These consolidated financial statements include the accounts of the Alberta Foundation for Health Research, a wholly owned subsidiary of the Foundation, which operates under The Alberta Companies Act and is a registered charitable organization for income tax purposes. The Alberta Foundation for Health Research activities are directed to promote and support medical and health research.

(b) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Property, plant and equipment, except for leasehold improvements, are amortized on a straight-line basis over their estimated useful lives at the following annual rates:

Furniture	10%
Office Equipment	20%
Computer Equipment	33%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Fair Value of Financial Instruments

Short-term instruments are valued at their carrying amounts included on the consolidated statement of financial position, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This approach applies to cash, restricted cash, accounts receivable, advances, accounts payable and accrued liabilities.

(d) Revenue Recognition

Unrestricted contributions are recognized as revenue in the current period if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue when earned.

Restricted contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Restricted investment income is deferred and recognized as revenue in the period in which the related expenses are incurred.

(e) Grants and Awards Expense

Grants and awards approved by the Trustees of the Foundation are recorded when substantially all terms and conditions for the implementation of the grant and/or award have been met.

Note 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term income securities with a maximum term to maturity of three years. Interest is earned on the daily cash balance at the average rate of earnings of the Fund, which varies depending on prevailing market interest rates.

Trustees have authority to draw down funds from the endowment to cover cash requirements. Cash is therefore drawn from the endowment on an as needed basis. Funds to cover deferred contributions are retained in the endowment.

Note 4 Alberta Heritage Foundation for Medical Research Endowment Fund

The Endowment Fund operates pursuant to the Alberta Heritage Foundation for Medical Research Act and consists of an initial endowment of $300 million from the Alberta Heritage Savings Trust Fund together with cumulative earnings thereon, less cumulative transfers to the Foundation.

Transfers to the Foundation are available at the request of the Trustees of the Foundation provided that such transfers do not result in the net assets of the Endowment Fund, valued at cost, being less than the initial endowment.

At March 31, 2005, the net assets of the Endowment Fund valued at cost was approximately $871 million (2004 $849 million) and the market value of the investments was $912 million (2004 $897 million).

Note 5 Property, Plant and Equipment

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(thousands of dollars)			
Furniture and equipment	$ 479	$ 304	$ 175	$ 202
Computer hardware and software	1,165	1,060	105	227
Leasehold improvements	200	141	59	96
	$ 1,844	$ 1,505	$ 339	$ 525

Note 6 Pension Plan

The Foundation's pension plan is a defined benefit plan. An actuarial valuation of the plan which was carried out on March 31, 2004 by the Foundation's actuary was used to determine the Foundation's pension expense and accrued benefit liability. The following significant actuarial assumptions were employed to determine the pension expense and the accrued benefit obligation:

	2005	2004
Expected long-term rate of return on plan assets	7.00%	7.50%
Discount rate	6.00%	6.00%
Assumed rate of salary escalation	4.50%	4.50%

The transitional asset is being amortized over the average remaining service period of active employees expected to receive benefits under benefit plans. The cost of pensions and other retirement benefits earned by employees is determined

Note 6 Pension Plan (continued)

using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. For purposes of calculating the expected return on plan assets, those assets are valued at fair value. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service life of active employees.

Information about the Foundation's defined benefit plan is as follows:

	2005	2004
	(thousands of dollars)	
(a) Pension expense		
Current service cost, net of employee contributions	$ 212	$ 176
Interest cost	160	123
Expected return on plan assets	(175)	(129)
Amortization of net actuarial gain	10	11
Amortization of transitional asset	(29)	(29)
Defined benefit plan expense	$ 178	$ 152
(b) Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ (2,404)	$ (1,810)
Current service costs, net of employee contributions	(212)	(176)
Employee Contributions	(68)	(64)
Interest cost	(160)	(123)
Actuarial gain (loss)	(51)	(266)
Benefits paid	92	35
Accrued benefit obligation, end of year	$ (2,803)	$ (2,404)
(c) Plan assets		
Fair value of plan assets, beginning of year	$ 2,225	$ 1,566
Actual return on plan assets	139	338
Contributions	298	356
Benefits paid	(92)	(35)
Fair value of plan assets, end of year	$ 2,570	$ 2,225
(d) Accrued benefit liability		
Funded status - plan deficit	$ (233)	$ (179)
Unamortized net actuarial loss	523	447
Unamortized net transitional asset	(370)	(399)
Accrued benefit liability	$ (80)	$ (131)

Note 7 Retirement Allowance

Accrued retirement allowance consists of the unfunded liability of retirement allowance. The unfunded liability at March 31, 2005 of $619,200 (2004 $469,787) has been accrued, $160,866 was expensed and $11,453 was paid out in 2004-2005. This liability was determined by an independent actuary using the same assumptions that were used to value the pension plan.

Note 8 Deferred Contributions

(a) Health Research Collaboration (HRC)

The Foundation and Alberta Health have entered into an agreement to facilitate and enhance health research and health technology assessment and their dissemination in the Province of Alberta.

(b) Canadian Nurses Foundation

The Foundation and the Canadian Nurses Foundation have entered into a partnership agreement to enhance Nursing Research in the Province of Alberta. No amounts were expended or recognized as revenue in the year in respect to this agreement.

Deferred contributions represent unspent resources externally restricted under the HRC Agreement and the Canadian Nurses Foundation Agreement.

Amounts are recognized as revenue to the extent of expenses incurred under these programs during the current period. Unspent grants returned for awards ended or terminated in a prior year are credited directly to Deferred Contributions.

Changes in the deferred contributions balance are as follows:

	2005	2004
	(thousands of dollars)	
Contributions received during the year		
Transfers from Alberta Health	$ 4,800	$ 4,800
Transfers from Canadian Nurses Foundation	16	-
	4,816	4,800
Less amounts recognized as revenue in current year		
Health Research Collaboration	4,562	4,639
Canadian Nurses Foundation	-	-
	4,562	4,639
Increase during the year	254	161
Balance at beginning of year	7,738	7,577
Plus refund from prior years	73	-
Balance at end of year	$ 8,065	$ 7,738
The balance is comprised as follows:		
Health Research Collaboration	$ 8,049	$ 7,738
Canadian Nurses Foundation	16	-
Balance	$ 8,065	$ 7,738

Note 9 Net Assets (Liabilities)

Operations include the biomedical and health programs of the Foundation which are funded from the transfers from the Endowment Fund and available cash balances. The Foundation's policy is to retain funds in the Endowment Fund and transfers are made only on an as needed basis.

Note 10 Recoveries on Technology Commercialization

The Foundation has entered into various agreements to fund technology commercialization projects. The projects involved have high scientific merit, but are speculative with both technical and commercial risk. Any recoveries by the Foundation under these agreements will be long term, in some cases at least ten years. In addition to recoveries, some agreements contain a provision for future royalty payments.

Note 11 Commitments

	Grants & Awards [a]	Office Premises [b]	SEARCH Canada	Total
	(thousands of dollars)			
2005-2006	$ 24,363	$ 78	$ 2,270	$ 26,711
2006-2007	14,141	39	2,270	16,450
2007-2008	8,089	-	2,270	10,359
2008-2009	4,243	-	2,270	6,513
2009-2010	857	-	-	857
	$ 51,693	$ 117	$ 9,080	$ 60,890

[a] Grants and Awards for which all terms and conditions have been agreed to are recorded as commitments.

[b] The Foundation has entered into a 69 month lease for office premises. This lease expires on September 29, 2006.

Note 12 Executive Compensation

	2005			2004
	Salaries [b]	Benefits [c]	Total [d]	Total
Chairman	$ 9,800	$ -	$ 9,800	$ 13,700
Board of Trustees	67,300	2,299	69,599	76,053
President & Chief Executive Officer [a]	392,837	44,497	437,334	318,875
Vice President, Research	154,375	27,852	182,227	161,688
Vice President, Corporate Affairs & Commercialization	123,500	29,706	153,206	135,375
	$747,812	$ 104,354	$852,166	$705,691

[a] The former President & Chief Executive Officer retired effective July 31, 2004 (salary, benefits and vacation payout totaling $194,087) and the new President & Chief Executive Officer commenced employment July 1, 2004 (total salary, benefits totaling $198,750). The taxable benefit amount for the home loan for the current President and Chief Executive Officer is excluded from the figures indicated above.

[b] Salaries include regular base pay, overtime, retainers, honoraria, and any other direct cash remuneration.

[c] Benefits include the Foundation's share of all employee benefits and contributions or payments made on behalf of employees including Employment Insurance, Canada Pension Plan, vacation payouts, pension, health care, dental coverage, medical benefits, out-of-country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans and professional memberships.

[d] Salaries and benefits are distributed to various expense categories including program planning, governance and corporate administration.

Note 13 Budget

The budget process involves the determination of the cost for the estimated number of investigators sponsored for Foundation awards and meeting standards of excellence which the Foundation could support within the spending guidelines and program objectives laid out by the Board of Trustees of the Foundation. Variance from budget is determined largely by the number and quality of actual applications received and deferred or declined awards.

The 2004-2005 budget was approved by the Board of Trustees in March 2004. Following is the Unconsolidated Alberta Heritage Foundation for Medical Research budget:

	Actual	Budget
	(thousands of dollars)	
Revenue	$ 55,524	$ 53,897
Grants and Awards	45,343	47,955
Program Delivery	3,434	3,457
Operations	2,324	2,534
Administration	2,539	2,147
	53,640	56,093
Excess (deficiency) of revenue over expense	$ 1,884	$ (2,196)

Funds are budgeted and transferred from the Endowment Fund on an as needed basis.

Note 14 Comparative Figures

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

Note 15 Employee Loan

The loan consists of a $200,000 home relocation loan for the President and CEO of AHFMR. The term of this loan is payable annually at $25,000 commencing July 1, 2006 provided that any balance owing shall become immediately payable upon termination of employment. If the employment term is extended, the loan repayment term will also be extended with annual payments of $25,000, until the loan is repaid. This loan remains interest free unless the mortgagor is in default at which point the interest will be at a rate of 2% above the annual bank of Canada rate.

Note 16 Unspent Grant Returns

Grant Trust accounts managed by the universities may at the end of the award have unspent balances that are returned to AHFMR. Treatment of unused funds is dependant on when the award ended.

(a) Unspent grants returned for awards ending or having been terminated within the current fiscal year is credited to the grant expense account in the current year.

(b) Unspent grants returned for awards ended or terminated in a prior year are recorded as revenues, as they do not relate to current year grant expenses.

For 2004-05, unspent grants returned were $717,006, of which $633,405 was recorded as revenue, $72,828 was credited to deferred contributions, and $8,752 was credited to grant expenses.

Note 17 Other Revenue

AHFMR managed the peer review process and the disbursement of funds for the Health Quality Council of Alberta's HQCA Fellowship and received an administration fee of $5,700 (15% of the value of the award).

Note 18 SEARCH is a program established by AHFMR in 1996 to provide health regions and organizations with an opportunity to develop capacity for evidence-based decision-making. Sponsored by their organizations, participants link across regional boundaries on issues of common interest, and work together to improve the quality of information and decision making at a local level.

On April 1, 2005, SEARCH moved from a program within AHFMR to become a not-for-profit member organization called SEARCH Canada. Members include the AHFMR, Alberta's nine health regions, and the University of Calgary. During the current year, transition funding for program costs and overhead valued at $1,170,000 was provided from AHFMR and $1,100,000 was similarly provided under the HRC Agreement. AHFMR has committed to actual grant payments of $2,270,000 to SEARCH Canada over the next four years - $1,170,000 per year from AHFMR and $1,100,000 under the HRC Agreement.

Note 19 Challenge Offer

The challenge offer is a program to contribute to health research related capital construction at the Universities of Alberta, Calgary and Lethbridge. Total commitments were $41,650,000 and $36,000,000 remains outstanding. Commitments paid in the current year were $4,000,000.

Note 20 Approval of Financial Statement

These financial statements were approved by the Board of Trustees.

ALBERTA HERITAGE FOUNDATION FOR SCIENCE ENGINEERING RESEARCH

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets (Liabilities)

Statement of Cash Flows

Notes to Financial Statements

AUDITOR
GENERAL
Alberta

Auditor's Report

To the Board of Trustees of the Alberta Heritage Foundation for Science and Engineering Research

I have audited the statement of financial position of the Alberta Heritage Foundation for Science and Engineering Research as at March 31, 2005 and the statements of operations, changes in net assets (liabilities), and cash flow for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
June 9, 2005

ALBERTA HERITAGE FOUNDATION FOR SCIENCE AND ENGINEERING RESEARCH

STATEMENT OF FINANCIAL POSITION
AS AT YEAR ENDED MARCH 31, 2005
(thousands of dollars)

	2005	2004
Assets		
Current		
Cash (Note 3)	$ 895	$ 190
Accounts receivable	3	31
Contributions Receivable (Note 10)	38,000	-
Advanced and prepaid expenses	10	15
	38,908	236
Long Term		
Property, plant and equipment (Note 5)	166	121
Total Assets	$ 39,074	$ 357
Liabilities and Net Liabilities		
Current		
Accounts payable and accrued liabilities	5,342	1,388
Current portion of deferred lease inducement	10	10
	5,352	1,398
Long Term		
Deferred lease inducement	6	16
Deferred contributions (Note 10)	38,000	-
	43,358	1,414
Net Liabilities (Note 6)	(4,284)	(1,057)
	$ 39,074	$ 357

The accompanying notes are part of these financial statements.

Approved by the Board:

Mr. Alvin Libin
Chairman

Mary L. Arnold
Ms. Mary Arnold, FCA
Trustee

ALBERTA HERITAGE FOUNDATION FOR SCIENCE AND ENGINEERING RESEARCH

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2005
(thousands of dollars)

	2005		2004
	Budget	Actual	Actual
Revenue			
Transfers from Endowment Fund (Note 4)	$ 18,327	$ 13,445	$ 10,416
Interest and other revenue	20	14	48
Conference Revenue	12	-	-
	18,359	13,459	10,464
Expenses			
Grants and awards			
Ingenuity Centres	6,225	6,777	4,330
Students	2,790	2,437	1,735
Fellowships	1,806	1,567	643
Industrial Associateships	1,928	1,491	646
New Faculty Awards	878	979	162
Scholars	1,501	804	305
Associateships	685	556	741
Establishment	249	249	846
Special Initiatives	50	13	33
Inno-centre	300	-	300
	16,412	14,873	9,741
Operations			
Human resources	961	940	682
Communication and education	221	227	206
External relations	255	147	121
Peer review	133	127	131
	1,570	1,441	1,140
Administration			
Corporate administration	188	189	133
Governance and planning	134	142	123
Amortization of property, plant and equipment	55	41	42
	377	372	298
	18,359	16,686	11,179
(Deficiency) of revenues over expenses	$ -	$ (3,227)	$ (715)

The accompanying notes are part of these financial statements.

ALBERTA HERITAGE FOUNDATION FOR SCIENCE AND ENGINEERING RESEARCH

STATEMENT OF CHANGES IN NET ASSETS (LIABILITIES)
FOR THE YEAR ENDED MARCH 31, 2005
(thousands of dollars)

	2005			2004
	Invested in Capital Assets	Unrestricted	Total	Total
Balance at beginning of year	$ 121	$ (1,178)	$ (1,057)	$ (342)
Deficiency of revenue over expense	-	(3,227)	(3,227)	(715)
Purchase of property, plant and equipment	89	(89)	-	-
Loss on disposal of property, plant and equipment	(1)	1	-	-
Amortization of property, plant and equipment	(41)	41	-	-
Balance at end of year	$ 168	$ (4,452)	$ (4,284)	$ (1,057)

ALBERTA HERITAGE FOUNDATION FOR SCIENCE AND ENGINEERING RESEARCH

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2005
(thousands of dollars)

	2005	2004
Operating activities		
Cash from Endowment Fund transfers and other	$ 13,460	$ 10,464
Cash for grants and awards	(10,947)	(9,031)
Cash for operations	(1,393)	(1,136)
Cash for administration	(328)	(283)
Net cash provided from operating activities	$ 792	$ 14
Investing activities		
Cash paid for purchase of property, plant and equipment	(87)	(15)
Net increase (decrease) in cash for the year	705	(1)
Cash at beginning of year	190	191
Cash at end of year	$ 895	$ 190

ALBERTA HERITAGE FOUNDATION FOR SCIENCE AND ENGINEERING RESEARCH

NOTES TO THE FINANCIAL STATEMENT
MARCH 31, 2005

Note 1 Authority and Purpose

The Alberta Heritage Foundation for Science and Engineering Research (the Foundation) operates under the authority of the *Alberta Heritage Foundation for Science and Engineering Research Act*, Chapter A-22, Revised Statutes of Alberta 2003, as amended. The Foundation commenced operations on April 1, 2000 and is exempt from Income Tax under section 149(1)(d.1) of the *Income Tax Act*.

The Foundation supports and promotes a balanced long term program of science and engineering research based in Alberta directed to the discovery of new knowledge and application of that knowledge to improve the quality of Alberta's economy, communities and environment.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Property, plant and equipment are amortized on a straight-line basis over their estimated useful lives at the following annual rates:

Furniture	10%
Office Equipment	20%
Computer Equipment	33%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

(b) Fair Value of Financial Instruments

Short-term instruments are valued at their carrying amounts which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This approach applies to accounts receivable, accounts payable and accrued liabilities.

Note 2 **Significant Accounting Policies and Reporting Practices , (Cont'd)**

(c) Revenue Recognition

Unrestricted contributions are recognized as revenue in the current period if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue when earned.

(d) Grants and Awards Expense

Grants and awards approved by the Trustees of the Foundation are recorded as expenses when all conditions of eligibility have been met.

(e) Lease Inducement

The lease inducement, a cash payment received by the Foundation on the lease for office premises, has been deferred and is accounted for as a reduction of office rental expense on a straight-line basis over the term of the lease.

Note 3 **Cash**

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term income securities with a maximum term to maturity of three years. Interest is earned on the daily cash balance at the average rate of earnings of the Fund, which varies depending on prevailing market interest rates. Cash includes an in-transit deposit for $940,000 which was recorded by the Endowment Fund as a payable to the Foundation at March 31, 2005.

Note 4 Alberta Heritage Foundation for Science and Engineering Research Endowment Fund

The Endowment Fund operates pursuant to the Alberta Heritage Foundation for Science and Engineering Research Act and consists of endowment contributions of $521 million from the General Revenue Fund of the Province of Alberta together with cumulative earnings thereon, less cumulative transfers to the Foundation. At March 31, 2005, the book value of the net assets of the Endowment Fund were $538 million (2004 $521 million) and the market value of the investments were $549 million (2004 $527 million).

For 2004-05 and subsequent years, payments from the Endowment Fund to the Foundation in a fiscal year may not exceed 4.5% of the average of the market values of the Fund, determined on March 31st of the preceding 3 fiscal years. Any unused portion of the amount permitted to be paid in a fiscal year may be paid to the Foundation in any subsequent fiscal year.

	2005	2004
	(thousands of dollars)	
Accumulated unused funding limit, opening	$ -	$ -
4.5% of average market value on March 31, 2002-04	21,347	n/a
Transfers to the Foundation during the year	(13,445)	(10,416)
Accumulated unused funding limit, closing	$ 7,902	$ -

Note 5 Property, Plant and Equipment

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
		(thousands of dollars)		
Furniture and equipment	$ 102	$ 37	$ 65	$ 64
Computer hardware and software	142	61	81	24
Leasehold improvements	63	43	20	33
	$ 307	$ 141	$ 166	$ 121

Note 6 Net Liabilities

Expenses include the science and engineering programs of the Foundation which are funded from the transfers from the Endowment Fund and available cash balances. The Foundation's policy is to retain funds in the Endowment Fund and transfers are made only on an as needed basis. As shown in Note 4, the Foundation has sufficient unused funding available to it from the Endowment Fund to meet its net liabilities of $4,284,000 at March 31, 2005.

Note 7 Executive Compensation

	2005			2004
	Salaries (a)	Benefits (b)	Total (c)	Total
Chairman	$ 12,600	$ -	$ 12,600	$ 11,400
Board of Trustees	97,325	3,308	100,633	90,336
President	208,413	6,572	214,985	242,324
	$ 318,338	$ 9,880	$ 328,218	$ 344,060

(a) Salaries include regular base pay, retainers, honoraria and other direct cash remuneration. The position of President was occupied by two individuals during the year. The salary amount for the former President and Chief Executive Officer, whose term ended September 30, 2004, is comprised of $108,413. The salary amount for the new President and Chief Executive Officer, whose term started October 1, 2004, is $100,000.

(b) Benefits include the Foundation's share of all employee benefits and contributions or payments made on behalf of employees including Employment Insurance, Canada Pension Plan, accidental disability and dismemberment insurance, long and short-term disability plans and professional memberships.

(c) Salaries and benefits are distributed to various expense categories including human resources and governance and planning.

Note 8 Commitments

	Ingenuity (a) Centres	Other Grants (b) & Awards	Office (c) Premises	Total
		(thousands of dollars)		
2005-2006	$ 6,672	$ 5,967	$ 39	$ 12,678
2006-2007	6,672	964	23	7,659
2007-2008	3,470	461	-	3,931
2008-2009	1,235	373	-	1,608
2009-2010	-	90	-	90
	$ 18,049	$ 7,855	$ 62	$ 25,966

(a) The amounts to be paid to the Ingenuity Centres in future years will be based on budgets to be submitted by the Centres, the amount of which is not known at this time. The amounts included in the schedule above are based on the amounts paid in 2004-05.

(b) Commitments for Other Grants and Awards include amounts to be paid under the terms of the grant agreements in future periods provided all conditions of eligibility are met by the recipient.

(c) The Foundation has entered into a 60 month lease for office premises. This lease expires October 31, 2006.

Note 9

Budget

The budget process involves the determination of the cost for the estimated number of investigators sponsored for the Foundation's awards and meeting standards of excellence which the Foundation could support within the spending guidelines and program objectives laid out by the Board of Trustees of the Foundation.

The 2004-2005 budget was approved by the Board of Trustees on March 9, 2004. Following is the Alberta Heritage Foundation for Science and Engineering Research budget:

	Actual	Budget
	(thousands of dollars)	
Revenue	$ 13,459	$ 18,359
Grants and Awards	14,873	16,412
Operations	1,441	1,570
Administration	372	377
	16,686	18,359
(Deficiency) excess of revenue over expense	$ (3,227)	$ -

Note 10

Deferred Contributions

The Ministry of Innovation and Science provided Alberta Ingenuity with $35 million to promote, facilitate and enhance Prion research within Alberta over a 7 year period, commencing in 2005-2006, and an additional $3 million to provide seed funding towards the creation and operation of Genome Alberta.

The amounts were authorized by the Ministry in 2004-05 and were received subsequent to the year end.

No expenses were incurred, nor were any amounts recognized as revenue in fiscal 2004-05.

Note 11

Approval of Financial Statements

These financial statements were approved by the Board of Trustees.

INFORMATION ON ALBERTA HERITAGE FOUNDATIONS

Alberta Heritage Foundation for Medical Research

Alberta Heritage Foundation for Science and Engineering Research (operating under the trade name Alberta Ingenuity)

Information in this section is unaudited.

ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH (AHFMR)

AHFMR Act

The objects of the Foundation are to establish and support a balanced long-term program of medical research based in Alberta directed to the discovery of new knowledge and the application of that knowledge to improve health and the quality of health services in Alberta.

AHFMR Goals (Outputs and Outcomes)

To maintain, strengthen, or expand established programs, and lead initiatives in health research in Alberta

Personnel Support

- For the competition year 2004 – 2005, new awards granted over the next five-year period in various areas of health research totalled $40 million to 54 researchers.
- Key basic research areas include: investigating health promotion strategies to prevent obesity; chronic kidney disease in aboriginal populations; genes involved in sight development; gender differences influencing health of heart patients; heart disease in children; and structure of back discs.
- AHFMR awarded $5.4 million to thirteen health researchers working in such areas as statistics for health research; promotion of health weight; better heart disease treatment; environmental epidemiology; international differences in heart treatment for the elderly; and differences between learning a second language and language impairment.
- In 2004 – 2005 AHFMR provided funding to almost 500 researchers-in-training, ranging from high school students to young clinician-scientists. Total funding for these programs was approximately $6.5 million

Partnerships and Initiatives that provide additional financial resources

In fall of 2004, Alberta Health and Wellness extended its contract with AHFMR for administration of the Health Collaboration Agreement. At the end of the current two-year extension, a decision will be made regarding a renewal of the agreement. Progress in this agreement includes:

Health Research Fund

- For the competition year 2004 – 2005, 20 researchers received offers of Health Research Fund awards totalling $2.2 million over two years. The Health Research Fund is administered by AHFMR on behalf of Alberta Health and Wellness.
- A further $838,366 was released to 17 researchers conducting on-going projects approved in last year's competition. Research projects funded in 2005 include: an assessment of rehabilitation services for children with cerebral palsy; how computer technology can better help nurses; perception of back pain; reducing complications of catheterized patients; effectiveness of bed rest in preventing pre-term birth; and Alberta's preparedness for a public health threat.

- AHFMR awarded the second Programs in Health Research Services award to Dr. Colleen Maxwell at the University of Calgary. A third award is pending. The first program grant was awarded to Dr. Finlay McAlister and his research team who are aiming to improve the quality of care for Albertans with vascular diseases like diabetes, stroke, heart disease and kidney disease. Dr. McAlister and his team will be supported with approximately $900,000 over the next three years. This award is a direct result of the information about high priorities in health research gathered from the State of the Science reviews commissioned by AHFMR in 2003.
- AHFMR's Health Research Agenda continues to guide AHFMR in allocating the most effective and efficient support for health research throughout the province.

Health Technology Assessment

- AHFMR's Health Technology Assessment (HTA) Unit produced the following assessments:
  - *Evidence for the benefits of telecardiology applications: a systematic review*, October 2004; and
  - *Trigger point injections for chronic non-malignant musculoskeletal pain*, January 2005.
- Three Technotes on the following topics were completed:
  - *B-type natriuretic peptide for diagnosing congestive heart failure*, July 2004;
  - *Gabapentin for non-malignant chronic pain*, July 2004; and
  - *COX-2 Inhibitors (Valdecoxib and Etoricoxib) for the Treatment of Non-Malignant Chronic Low Back Pain*, January 2005.
- Seven information papers were completed on the following topics:
  - *Health Technology Assessments on the Net: a guide to Internet sources of information, 6th Edition*, May 2004;
  - *Low density lipoprotein apheresis for the treatment of familial hypercholesterolemia*, April 2004;
  - *Sclerotherapy for leg varicose veins*, May 2004;
  - *Advance directives for end-of-life care in the elderly – effectiveness of delivery modes*, August 2004;
  - *Living donor liver transplantation in children*, August 2004;
  - *Low level laser therapy for wound healing: an update*, October 2004; and
  - *Review of health technology assessment products 2003 – 2004*, January 2005.
- Two Health Technology Initiatives to encourage the use of evidence to inform policy and decision making in the Alberta health care system were produced:
  - *Quantitative Approaches to Patient Safety Research in Risk Analysis and Risk Management Applied to Radiotherapy*, October 2004; and
  - *A Systematic Review of the Social, Ethical, and Legal Dimensions of Genetic Cancer Risk Assessment Technologies*, April 2004.
- Two issues of the newsletter *Tech-Wise* were produced: Issue 24, January 2005 and Issue 25, March 2005.

Applied Health Research Programs

The Applied Health Research Programs portfolio of the Foundation delivers and supports programs to increase capacity across the health care delivery system for the production and use of locally relevant research.

- The Swift Efficient Application of Research in Community Health (SEARCH) Program, established in 1996, recruited another cohort of 28 participants from Alberta's regional health authorities and other organizations in 2004, to be trained through the SEARCH V program in applied research and research application. The SEARCH IV cohort finalized 28 local and five provincial research and research synthesis projects supporting local and regional decisions in health care planning. Provincial theme projects focused on patient safety culture, change management capacity, information technology for population health, public involvement in primary care, and program evaluation process and standards.
- The Alberta Consultative Health Research Network (ACHRN), funded since 1998 through a special initiative grant to the University of Calgary, was amalgamated with the SEARCH Program and continued to support Research Development Advisors (RDAs) in universities and colleges linked to Chinook, Palliser, David Thompson, Aspen and East Central, Peace Country and Northern Lights health regions. RDAs and a network of expert advisors provided ongoing research advice, support and training in response to local requests throughout the province.
- On April 1, 2005 the SEARCH Program was established as an independent not-for-profit corporation, jointly funded and governed by AHFMR, Alberta's nine health authorities and the University of Calgary, with funding in part from Alberta Health and Wellness through the Health Research Collaboration.
- The Community Research Ethics Review Board, a community-based ethics board pioneered by the Foundation to ensure access to ethics review for research across the province, met monthly, reviewed thirty two protocols from rural regions and independent practitioners and provided guidance and referral to novice researchers. The Foundation continued to lead the Alberta Research Ethics Community Consensus Initiative, a collaboration of Alberta research ethics boards and RHAs, to pilot and refine its recommendations on processes to determine which types of projects require ethical review, and ensuring appropriate access to review.
- The Research Transfer Network of Alberta, established in 2001 provided a series of bi-monthly videoconference sessions ('Water Cooler Sessions') on best-practice research transfer, involving 10 to 15 sites province-wide and an average of 55 participants per session. An all-day videoconference attracted over 90 participants. The network also sponsored conference attendance and a writing workshop focused on disseminating practice-based research.
- Nine new health researchers received independent investigator awards through Population Health Investigator and Health Scholar funding. This brings the total of investigators supported in health services and population health research to 39.

To Maintain Research Education and Training Programs and Encourage Young Albertans to Pursue Research Careers

- Over $ 6.5 million was awarded in fellowships, clinical fellowships, studentships and summer studentships to 500 researchers-in-training.
- The SEARCH Program, an AHFMR-led collaboration of the Universities of Alberta

and Calgary, Alberta Health and Wellness, and Alberta's health authorities, completed the research training of 28 community-based health professionals from seven health authorities and six other health care organizations. The $1 million, AHFMR-funded SEARCH program trains participants in tailor-made, intensive modules. The participants are linked in a province-wide computer network and are involved in individual and group projects based on health needs prioritized by their regions.

- The Lionel McLeod scholarship was awarded to University of Calgary MD/PhD student Matthew Hicks for his studies into early intervention for fetal alcohol syndrome.
- AHFMR offered the fifth Heritage Youth Research Summer Program in 2004, which gave 45 of the brightest high school students a summer research experience working and learning in Heritage and other labs at the Universities of Calgary, Alberta, and Lethbridge. Students for this program came from all over the province.

To encourage increased collaboration in Alberta, Canada, and elsewhere among investigators, research institutions, governments, other granting agencies and the private sector

- AHFMR continued to contribute to the Canada Research Chairs through stipend and infrastructure funding contributions ($2.5 million over five years) based on amounts funded by Canada Foundation for Innovation and other partners.
- AHFMR participated in and sponsored several workshops and events and contributed to the development of a province-wide network of linkage and exchange in applied health research and its use in decision-making (e.g. HTA workshops and conferences, SEARCH regional receptions in Fort McMurray, Lethbridge, Grande Prairie, Red Deer, SEARCH managers workshops, etc.). AHFMR is working with the Canadian Health Services Research Foundation, the Health Services Utilization and Research Commission and other organizations in developing models for research transfer capacity in health organizations.
- AHFMR established a pilot project with the Health Quality Council of Saskatchewan to implement and evaluate a partnership model for SEARCH program participation. Two SEARCH IV participants are from Saskatchewan. A similar model is being explored with AHFMR by universities and health organizations in the United Kingdom and Uganda.
- Applied Health Research Programs such as SEARCH and ACHRN stimulate and support multi-disciplinary, multi-institutional collaboration. For example, the SEARCH Core Faculty includes five faculties in two universities.
- AHFMR held the fourth annual Super Research Saturday lecture series for the public at the University of Alberta and University of Calgary.
- AHFMR co-hosted, along with other provincial agencies, the Alberta visit of three Gairdner Award winners.
- AHFMR senior staff serve on advisory committees and boards of other organizations such as ASTech and the Alberta Science and Research Authority.

To continue to promote the development of health research-related economic activities in Alberta, including the commercialization of innovations

- The Technology Commercialization (TC) Program committed $1,384,518 in project and internship funding during the year. Mentoring and access to expertise for applicants continue to be strong components of the program.
- The TC Program enhanced its Phase 1 award by offering a fast-track review process to applications arising from the university technology transfer offices.
- AHFMR continued to develop the TC Internship Program through active recruitment of industry receptors. TC Interns receive training in a broad spectrum of commercialization activities including: market analysis/intelligence, technology transfer, business development, product development and intellectual property management.
- AHFMR participated in and sponsored several TC-related workshops and forums, including the sponsorship of five Alberta-based companies to attend a medical device partnering symposium organized by WestLink Innovation Network. AHFMR also supported InnoWest 2004, the inaugural western Canadian innovation conference delivered by The Centre for Innovation Studies (THECIS.)
- AHFMR continues to develop in-depth case studies of previously funded projects for use in TC workshops and educational forums.
- AHFMR worked to strengthen infrastructure by facilitating researcher education in entrepreneurship and collaborating with economic development agencies and venture capitalists.
- AHFMR was a patron of the 2004 ASTech awards.

AHFMR Goals (Resources, processes, procedures)

To maintain international standards of excellence through an appropriate and effective peer review system

- As of March 31, 2005, 239 AHFMR funded researchers and 266 researchers-in-training were supported at the University of Alberta, the University of Calgary, and the University of Lethbridge. A small number of awards are held by Albertans outside of this province for training in some of the world's most prestigious laboratories.
- Additional mental health and health services researchers receive funding through Alberta Health and Wellness's Health Research Fund, administered by AHFMR.
- All awards to personnel are made according to the highest international criteria for excellence. To fulfil this purpose, more than 500 reviewers from all over the world provide us with their reviews or sit on one of 17 AHFMR standing peer review advisory committees for awards competitions.
- AHFMR requires annual reporting on all awards.
- AHFMR has added an Impact Analysis division to evaluate the impact and outcomes of the foundation's activities.
- During 2004 – 2005 two health technology assessment reports were produced and all were externally peer reviewed prior to publication.
- AHFMR began preparing for the review process by an International Board of Review in June of 2004 as required by the AHFMR Act.

To manage expenditures to ensure the continuance of AHFMR for future generations while avoiding significant fluctuations in annual spending

- The AHFMR Endowment was created in 1980 with $300 million. As of March 31, 2005 that original AHFMR Endowment has almost tripled.
- The cumulative AHFMR investment in the province for biomedical and health research since 1980 now totals over $800 million.
- AHFMR has quarterly meetings with Alberta Revenue, as well as annual meetings between Alberta Revenue and AHFMR's Board of Trustees. Alberta Revenue manages AHFMR's endowment.
- Transfers from the endowment were $50 million during 2004 – 2005.
- In February 2005, Premier Klein announced that $500 million would be added to the AHFMR Endowment over the next three years, thus ensuring the sustainability of AHFMR funded health research in the province.

To maintain and improve communication with the public, government, the research community, universities, and health-related Institutions

- AHFMR publications included the award-winning quarterly magazine AHFMR Research News, the AHFMR Community Report (in the form of a 2005 calendar with financial highlights) and Health Technology Assessment Reports.
- The AHFMR web site is continually monitored and maintained for currency.
- AHFMR monthly news bulletins to MLAs were produced.
- AHFMR media work highlights research accomplishments of funded personnel on a monthly basis.
- AHFMR distributed its Community Report, in the form of a flyer for requesting a 2005 calendar, through seven daily newspapers, the waiting rooms of all physicians in the province and to people on a 22,000-name mailing list.
- AHFMR supported two science students as media fellows, one with CBC Radio in Edmonton, the other with CBC radio in Calgary.
- AHFMR supported the Alberta Science Fair program with prize money for seven regional winners.
- AHFMR participated in, and was a major sponsor of, the Alberta Teachers' Association Science Council Conference in November.
- AHFMR, in collaboration with the Faculty of Medicine and Dentistry at the University of Alberta, the Faculty of Medicine at the University of Calgary, Alberta Cancer Board, and Alberta Cancer Foundation, sponsored the visit to Alberta in October of three Gairdner Award winners.
- AHFMR sponsored events organized by other research agencies and university departments intended to highlight health research.
- AHFMR Communications began special programming to highlight AHFMR's 25th Anniversary. These were a nine-part series of television ads and a travelling lecturers series, both running throughout 2005.

To regularly review and update AHFMR's future plans and priorities

- AHFMR's Board of Trustees meets quarterly to review planning and directions.
- AHFMR senior staff consult regularly with AHFMR advisory committees composed of

members of the research community about funding recommendations, and program planning and directions (e.g. Scientific Advisory Committee, Health Advisory Committee, Program Advisory Committee).

- An International Board of Review (which AHFMR is legislated to organize every six years) was convened in June of 2004 to review AHFMR's activities and recommend directions. A report was issued, applauding AHFMR's record of successes, in early fall of 2004.

Key Factors Affecting Performance

AHFMR performance is based on its primary function of funding health research. The number of proposals submitted and quality of applications is a main determining factor in any of the competitions for awards, as is the amount of money available annually from a portion of the AHFMR endowment interest. Since AHFMR works in partnership with the province's universities to recruit and pay salaries of researchers, initiatives on the part of the universities play a large part in recruiting the best and brightest researchers to Alberta. Alberta Regional Health Authorities are key contributors to the development of health research capacity throughout the province through their endorsement of, support for and contribution to, the SEARCH program and other AHFMR applied health research initiatives. In June 2004, an International Board of Review endorsed AHFMR's directions and activities and confirmed AHFMR's seminal role in the province in establishing and continuing to build a first-class research community.

Anticipated Changes or New Directions

The establishment, over the past 25 years, of a top quality research community and brain trust in Alberta is attracting funding from outside sources at a rate of $2-3 dollars for every AHFMR dollar invested. AHFMR seeks out and initiates new opportunities for matching funding and for collaborative ventures with other provincial and national funding bodies. AHFMR also seeks out opportunities to expand its research portfolio and bridge the gap between the generation of knowledge through health research results, and its application to improve health and the effectiveness of the health system.

In early 2005, AHFMR embarked on a Strategic Planning process, the results of which will be used to develop a framework for making choices about strategic directions that will best maximize the Foundation's investments, exploit new opportunities in health research, maximize existing and new partnerships, help realize goals of the provincial government, and ultimately result in the most impact for the health and well-being of Albertans.

Changes Needed to Measure Performance

Currently, universal mechanisms for measuring comprehensive, overall performance in medical and health research and the impact of that research in socioeconomic terms do not exist. AHFMR carefully tracks the usual scientific metrics of publications, citations and career performance. Other measures, such as case studies, are highlighted in AHFMR's publications. AHFMR actively seeks opportunities that would assist in measuring the impact of investment on research. AHFMR has created an internal Impact Analysis unit to develop and apply appropriate methodology to gauge the impact and effectiveness of AHFMR's activities. AHFMR's internal impact analysis framework relates to both program and performance monitoring as well as medium- and long-term outcome evaluation of AHFMR activities.

The Alberta Foundation for Health Research

The Alberta Foundation for Health Research (AFHR) is a wholly owned subsidiary and registered charity that was incorporated in 1994 as a mechanism to receive unsolicited donations for health research projects aligned with AHFMR goals and meeting the same high standard of excellence. To date, approximately $620,000 has been received and two awards have been made: "A Window on the Brain" project at the University of Calgary and a postdoctoral award at the Faculty of Nursing, University of Alberta.

June 30, 2005

ALBERTA INGENUITY

Key Activities/Outcomes for 2004 – 2005

Alberta Ingenuity is a $500 million endowment that is building science and engineering research excellence in key areas for Alberta's economy and quality of life: energy, life sciences, environment and information and communications technologies. In the process, it is attracting international attention to Alberta's climate of creativity and achievement in research. Alberta Ingenuity supports people — individuals with a commitment to superlative ideas and products — through several highly competitive grants and awards programs.

Alberta Ingenuity, the operating trade name of the Alberta Heritage Foundation for Science and Engineering Research, was established by the Government of Alberta in 2000.

Goal 1: To foster to an innovative, value-added economy in Alberta through investment in people who exemplify excellence and are working in areas of strategic importance to Alberta

Alberta Ingenuity is poised to become an active catalyst in the development of a value-added economy in the province of Alberta.

In 2004 – 2005, Alberta Ingenuity provided $6.3 million in funding for new and existing recipients in programs that are specifically focused on the creation of robust top-quality research teams in targeted areas of strategic importance to Alberta. These areas include: energy, life sciences, environment, and information and communications technologies. The programs enable excellence in both the generation of ideas and the development of products, and have been active this past year as follows:

Ingenuity Centres

- Alberta Ingenuity now supports four internationally recognized Ingenuity Centres: In 2004 – 2005, Ingenuity committed $1.2 million toward the creation of the Ingenuity Centre for In-Situ Energy, which will help diversify the profile of the essential Alberta energy sector.
- Approximately $5.4 million was committed in the ongoing achievements of three growing Ingenuity Centres: $2.2 million for the Alberta Ingenuity Centre for Water Research; $1.7 million for the Alberta Ingenuity Centre for Machine Learning; and $1.5 million for the Alberta Ingenuity Centre for Carbohydrate Science.

Scholars

- This program is under review and will emerge with a renewed strategy for recruiting and retaining research stars and rising stars to Alberta research teams in the strategic areas. The target is to support up to 20 Scholars by 2008, whose excellent reputations attract additional excellent researchers. This target will be enabled through an addition to the endowment.

New Faculty

- $1.2 million funding over two years was awarded to 11 rising stars at Alberta universities through the New Faculty Grants and Establishment Grants programs. Five of these awards are helping new faculty launch research teams at the University of Calgary and the remaining six awards are doing the same at the University of Alberta.

Industrial Associates

- This is one of Alberta Ingenuity's fastest growing programs and areas of investment. The program puts researchers where they can make an immediate and evident difference — at the leading edge of applied research in an industrial setting. It is doubly effective because this infusion of knowledge capital also helps start-up and fledgling technology-based companies gain research expertise at relatively low cost. Four competitions were held, resulting in approximately $3.4 million in commitments over two years to 31 recent graduates working on research in industry. Sixteen of the recipients are working for companies located in Edmonton, 13 are in companies based in Calgary, one is in a company in Nisku and another one is in a company in Olds. This program aims to support 80 researchers by 2008, enabled by the addition to the endowment.

Fellows

- Approximately $1.8 million in new funding was approved for 20 top postdoctoral fellows — for whom expectations for research and the development of intellectual property can be at the highest — on Alberta research teams: 10 at the University of Calgary and 10 at the University of Alberta.

Students

- Approximately $1.1 million in new funding was approved to attract and support 84 of the top science and engineering graduate students in the country to study at an Alberta university. In the targeted area of ICT research, Alberta Ingenuity continues to collaborate with iCORE to provide joint awards that attract the best and brightest ICT students to Alberta.

Goal 2: To exemplify excellence in strategic areas

- Alberta Ingenuity receives strategic advice on program design from its Science and Engineering Advisory Council, an international group of research experts and leaders in broader areas such as the commercialization of innovations, technology and policy, and championing the untapped potential of innovative and ambitious women in science and engineering.
- Alberta Ingenuity also relies on the recommendations of provincial, national and international peer reviewers from industry and academia to ensure that funding is provided to the very best researchers. Our ever-expanding network of expert reviewers either participate in review committees or provide detailed written assessments in their areas of expertise.

Goal 3: To encourage and enhance innovation in industry

- Alberta Ingenuity contributes directly to the development of innovation by investing in (i) knowledge development or ideas and (ii) the products of knowledge and ideas.
- At the idea end of the spectrum, a key objective of the Alberta Ingenuity Centres program is to encourage the discovery and subsequent commercialization of research results, to build collaborations with Alberta industry and to train highly qualified personnel to work in those industries.
- At the products end, Ingenuity's Industrial Associateship program puts researchers at the frontier of applied research in an industrial setting, and at the same time helps companies engage research expertise by attracting and securing highly qualified scientists who stimulate the research initiatives undertaken by the company.

Goal 4: To champion science and engineering research in the community.

- Alberta Ingenuity is a patron of the ASTech Leadership Awards Foundation.
- Alberta Ingenuity is a sponsor of the joint Alberta Ingenuity-Association of Professional Engineers, Geologists and Geophysicists of Alberta Research Excellence Award presented annually to a top engineer conducting research in Alberta.
- Alberta Ingenuity sponsors Innovation Alberta, a province-wide science and technology program on CKUA Radio, as well as 'Earth and Sky', a public awareness science program on the same station.
- Alberta Ingenuity supports the Innovation 2005 initiative, a celebration of 100 years of science and technology achievement in Alberta.

Goal 5: To build partnerships in research education and training that develop a science culture and interest in science careers

- Alberta Ingenuity continued to sponsor science and engineering camps for Alberta school students at the U of A, U of C and U of L.
- Alberta Ingenuity continues to participate in, and be a major sponsor of, the Alberta Teachers' Association's annual Science Council Conference.
- Alberta Ingenuity supported Inside Education's summer Water Institute for teachers.
- Alberta Ingenuity continues to support Explore IT, a one-day conference designed to encourage Grade 9 girls to seek careers in ICT.

Goal 6: To be responsible stewards of the endowment and manage expenditures effectively

- The endowment is building strength and seeing increased return on investment. A new Director of Finance at Alberta Ingenuity is maximizing the investment value and cash flows, providing increased confidence in the strength of the generated revenue.
- A Board of Trustees, chaired by Alvin Libin of Calgary, governs Alberta Ingenuity. Trustees are appointed by the Government of Alberta. Six trustees are nominated representatives of educational institutions and professional organizations and six represent the general public.
- Alberta Ingenuity's annual budget and spending is approved by the Board of Trustees, which ensures that expenditures fall within legislated guidelines.
- Alberta Finance manages Alberta Ingenuity's endowment. All transfers from the endowment require Board of Trustee approval.

Key Factors Affecting Performance

Long-term program planning is based on the value and performance of the endowment fund. Several exciting new initiatives that promise to launch Alberta into new realms of exemplary activity are on hold until the addition to the endowment is activated.

Anticipated Changes or New Directions

- Alberta Ingenuity saw significant changes in staffing in 2004 – 2005, including the appointment of a new president and CEO, Dr. Peter Hackett.
- Since that time, staff has increased two-fold, to support a new level of program and related communication activity. This includes the administration and management of the new Alberta Ingenuity Centre on Prion Research as part the $38 million prion science initiative that will establish an international profile for Alberta on leading prion research.
- Two programs are under review and will be modified to enable more successful recruiting of international research leaders.
- A major communications initiative will be undertaken to raise the bar, elevate the profile and build on the substantive reputations of existing research areas. This is strategically designed to create the reputation necessary to attract the best researchers in the world.

Performance Measures

- Thorough data collection is now undertaken to allow measurement of the organization's ability to recruit and retain excellent researchers in Alberta, and to assess the impact Alberta Ingenuity support has on academia and industry who participate in grant programs (i.e., through new intellectual property, inventions, and innovations).
- Alberta Ingenuity tracks new investments, research/industry partnerships in the province and outside sources involved in Alberta research, all of which are related to Alberta Ingenuity investments.
- We intend to implement a graduate student survey and a university departmental survey to gather data and maintain a close understanding between investments and outcomes.
- In 2006, Ingenuity will undergo its first review by an International Board of Review.

ALPHABETICAL LIST OF ENTITIES' FINANCIAL STATEMENTS IN MINISTRY 2004 – 2005 ANNUAL REPORTS

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Ministry, Department, Fund or Agency	*Ministry Annual Report*
Agriculture Financial Services Corporation[1]	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Capital Finance Authority	Finance
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission	Finance
Alberta Heritage Foundation for Medical Research Endowment Fund	Finance
Alberta Heritage Savings Trust Fund	Finance
Alberta Heritage Scholarship Fund	Finance
Alberta Heritage Science and Engineering Research Endowment Fund	Finance
Alberta Historical Resources Foundation	Community Development
Alberta Insurance Council	Finance
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Finance
Alberta School Foundation Fund	Education
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Finance
Alberta Social Housing Corporation	Seniors and Community Supports
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Finance
ATB Investment Services Inc.	Finance
Child and Family Services Authorities:	Children's Services
Calgary and Area Child and Family Services Authority	
Central Alberta Child and Family Services Authority	
East Central Alberta Child and Family Services Authority	
Edmonton and Area Child and Family Services Authority	
North Central Alberta Child and Family Services Authority	

[1] The Crop Reinsurance Fund of Alberta was merged into the Agriculture Financial Services Corporation effective April 1, 2003

Ministry, Department, Fund or Agency	*Ministry Annual Report*
Northeast Alberta Child and Family Services Authority	
Northwest Alberta Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Southwest Alberta Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
Credit Union Deposit Guarantee Corporation	Finance
Crop Reinsurance Fund of Alberta[1]	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Education	Education
Department of Energy	Energy
Department of Finance	Finance
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Seniors and Community Supports	Seniors and Community Supports
Department of Solicitor General	Solicitor General
Department of Sustainable Resource Development	Sustainable Resource Development
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc.	Finance
Government House Foundation	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
iCORE Inc.	Innovation and Science
Lottery Fund	Gaming
Ministry of Advanced Education[2]	Advanced Education
Ministry of Aboriginal Affairs and Northern Development[2]	Aboriginal Affairs and Northern Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services

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[1] The Crop Reinsurance Fund of Alberta was merged into the Agriculture Financial Services Corporation effective April 1, 2003.

[2] Ministry includes only the department so separate department financial statements are not necessary.

Ministry, Department, Fund or Agency	*Ministry Annual Report*
Ministry of Community Development	Community Development
Ministry of Economic Development[2]	Economic Development
Ministry of Education	Education
Ministry of Energy	Energy
Ministry of Environment[2]	Environment
Ministry of Finance	Finance
Ministry of Executive Council[2]	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services[2]	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment[2]	Human Resources and Employment
Ministry of Infrastructure and Transportation[2]	Infrastructure and Transportation
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations[2]	International and Intergovernmental Relations
Ministry of Justice[2]	Justice
Ministry of Municipal Affairs[2]	Municipal Affairs
Ministry of Restructuring and Government Efficiency[2]	Restructuring and Government Efficiency
Ministry of Seniors and Community Supports	Seniors and Community Supports
Ministry of Solicitor General	Solicitor General
Ministry of Sustainable Resource Development	Sustainable Resource Development
N.A. Properties (1994) Ltd.	Finance
Natural Resources Conservation Board	Sustainable Resource Development
Persons with Developmental Disabilities Community Boards:	Seniors and Community Supports
Calgary Region Community Board	
Central Region Community Board	
Edmonton Region Community Board	
Northeast Region Community Board	
Northwest Region Community Board	
South Region Community Board	
Persons with Developmental Disabilities Provincial Board	Seniors and Community Supports
Provincial Judges and Masters in Chambers Reserve Fund	Finance

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[2] Ministry includes only the departments so separate department financial statements are not necessary.

Ministry, Department, Fund or Agency	*Ministry Annual Report*
Supplementary Retirement Plan Reserve Fund	Finance
Victims of Crime Fund	Solicitor General
Wild Rose Foundation	Community Development

ENTITIES NOT INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Fund or Agency	*Ministry Annual Report*
Alberta Cancer Board	Health and Wellness
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Innovation and Science
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Education
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan - Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan - Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Finance
Provincial Judges and Masters in Chambers Pension Plan	Finance
Provincial Judges and Masters in Chambers (Unregistered) Pension Plan	Finance
Public Post Secondary Institutions	Advanced Education
Public Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Regional Health Authorities	Health and Wellness
School Boards	Education
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Workers' Compensation Board	Human Resources and Employment